



# Business Case Development

## About this Topic: Business Case Development



### Topic Mentor

#### June Paradise Maul

President of Advantage Value, a consulting and education company, Dr. June Paradise Maul has experience leading large-scale change as well as line organizations, having been Chief Learning Officer at Qwest and having held senior management positions at AT&T. Dr. Maul has taught executive development programs in corporations and graduate level business and leadership programs—incorporating strategic planning, balanced scorecard, strategic leadership, virtual workplace, decision making, and creative resourcing into education initiatives. She is invited to speak globally on leadership, strategic planning, and creative resourcing. Dr. Maul received her Bachelor of Science in Asian Studies and Geology from M.I.T. and her Doctorate in Science and Humanities from Rutgers.

### Topic Source Notes

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## Steps

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## Tips

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## Tools

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## What Would You Do?

### What would you do?

Sydney Punger heads the training and development group at Satellite Electronics. Satellite's leadership recently decided to change its sales strategy from selling "products" to selling "solutions." To support the new strategy, Sydney's group will need to provide services such as developing and implementing new training for the sales staff. Sydney's boss asks her to prepare a business case to support the hiring of two new employees to help train the staff. Sydney isn't sure this is the best course of action.

### What would you do?

Sydney's boss made the common mistake of ignoring a universe of possibilities and thinking about a business case as a means to justify a desired course of action. Instead, Sydney should build a case around how the company can best create and supply new training to the sales staff. By thinking about the opportunity, instead of just one way of approaching it, Sydney is likely to come up with a better recommendation. As part of the process, Sydney should consider multiple alternatives, including remaining with the status quo. It may turn out that Sydney's company would do better by focusing on eliminating current training projects than trying to expand the staff to take on new ones.

In this topic, you'll learn how to build a business case to explore multiple alternatives before making a recommendation to support a particular option. You'll learn how to define the opportunity, identify and analyze alternatives, and present your final recommendation to key stakeholders.

How do you decide on the best course of action for your company to take advantage of new opportunities? By building a business case.

## Topic Objectives

This topic provides a framework for building a business case. You'll learn how to:

- Clearly define the opportunity you'll want to address in your business case
- Identify and analyze a range of alternatives
- Recommend one option and assess its risks
- Create a high-level implementation plan for your proposed alternative
- Communicate your case to key stakeholders

## What is a business case?



Perhaps you've been managing a project and you've concluded that acquiring some new software would help your company cut costs and increase efficiencies. Or perhaps you want to hire several new employees or buy a new piece of equipment for your group.

You've presented your proposal to your boss, and he responded, "You'll need to make the business case for it before we can consider it."

You're happy to oblige—but you're not sure what, precisely, a business case consists of or how to go about creating one. You wonder, "Does he mean a business *plan*?" But a business case differs in important ways from a business plan. Your first step in building a case for your great idea is to understand the difference.

## Business case vs. business plan

A **business case** answers the question: "What happens if we take this course of action?"

For example, if your unit is considering expanding sales to a new market, your boss might ask, "Which of three alternative markets should we invest in to create the most value—and should we even make this investment?"

Managers at all levels create business cases to gain support for all manner of decisions, to initiate action, or to obtain resources for an initiative.

A **business plan**, on the other hand, describes how an organization or business unit plans to navigate successfully through its own unique competitive environment. Business plans feature long-range projections of revenues, expenses, business strategy, and other information. Typically, managers and executives use business plans to secure financing from investors or to plan strategy execution.

## Key Idea: When to create a business case

### Key Idea

In many ways, the process of building a business case is similar to solving a problem.

For example, suppose you don't have enough staff to accomplish your responsibilities, or you believe that your company's competitors use more efficient processes that allow them to have lower costs than your firm does.

Developing a business case would not only help you identify potential solutions to such problems, it would also help you "sell" your ideas to key decision makers.

A business case is useful when you want to:

- Demonstrate the value a proposed product or service would generate for your organization,
- Prioritize projects within your group and identify which ones to eliminate,
- Demonstrate the value of a product or service to a customer to make a sale,
- Obtain additional resources for a new project, initiative, or organization,
- Modify an existing offering,
- Invest in a new capability, such as a software program or training,
- Or decide whether to outsource a particular function.

Do you need to demonstrate a product's value? Do you have projects to prioritize or need new resources? If so, it's time to build a business case.

## The complexity of a business case

“It's not the plan that is important, it's the planning.”  
—Dr. Graeme Edwards

As you might imagine, building a business case for a relatively simple decision—such as whether to buy a new copier for your department and, if so, which one to select—is a pretty straightforward process. But when you're making a case for a more expensive, complex course of action, the process requires more thought.

As you'll discover, this topic uses a fairly sophisticated example for illustrative purposes—so you can see how the entire process of creating a business case unfolds. In your role, you may not need to gather as much information as shown in the example or use complex numerical analysis. While a

business case similar to the example used in the topic may take 10 to 15 days to complete, your business case may take you only a couple of days.

## The process vs. the product

Still, it is important to distinguish between the process of building a business case and the **product** you deliver to decision makers and stakeholders. The product is a document or presentation. Many organizations have their own templates and specific guidelines for how to create this product—including how to format the information, how to treat graphics, and so forth.

This topic focuses on the **process** of gathering the necessary information, analyzing it, and preparing to sell your ideas. After all, building a business case is about identifying and considering multiple alternatives before making a well-informed recommendation to support one option. The creation of a document or presentation is the final step in this process—and can happen only after you've completed the earlier steps.

## Key Idea: How to build a business case

### Key Idea

Regardless of the format of your document, you can use the following steps to prepare your case:

- **Step 1: Define the opportunity**—Describe the situation and the business objectives that your proposal will impact.
- **Step 2: Identify the alternatives**—Brainstorm multiple approaches and then choose three to four to analyze.
- **Step 3: Gather data and choose a time frame**—Gather information about each alternative and estimate how long each option will take to implement.
- **Step 4: Analyze data**—Analyze how your options will affect the business objectives you've defined.
- **Step 5: Choose an alternative and assess the risks**—Make a recommendation based on your analyses and evaluate how you will mitigate any risks associated with your recommendation.
- **Step 6: Create a high-level implementation plan**—Identify, at a high level, how you will achieve your goals and who will be accountable for each milestone. Spell out when you expect to see benefits.
- **Step 7: Communicate your case**—Create a document and/or a presentation to sell your recommendation to decision makers.

You will need to complete each of these steps to build a strong business case. However, the depth of analysis and documentation necessary to support your case will likely vary, depending on the proposed initiative's scope, organizational impact, and risk.

Business cases can be used to demonstrate a wide variety of solutions. However, the process you'll use to build each case should be the same.

## Leadership Insight: Make your ideas credible

Imagine you are the CEO of a big corporation, so many people walk up to you with big ideas, wanting you to invest in their ventures or in the ideas they are suggesting.

How does a CEO decide whether he should go ahead or should not unless it is backed up with a good business case? And that is why I think backing up your idea with a good, sound business case is the most important thing if you want to take your idea ahead.

Let me tell you a few more tips about building up a business case. First, be sure of your facts, cross-check them, talk to people, make sure that whatever facts you are mentioning in your business case are verifiable and correct.

Point number two, make sure that your assumptions are realistic and achievable. We have this tendency to put in assumptions that will never be met and that would take the whole business case down when you are defending that case in front of the management.

The third critical thing is to really be clear about your business case. Prepare it well. Put some amount of effort in it. It will go a long way in taking your ideas further.

And last but not the least, communicate well — be able to stand up in front of the management and clearly articulate your idea and your business case so that people can understand well what you are trying to achieve. It gives so much more credibility to your ideas.

A proposal will only flourish with a strong, clear business case — so where do you start?

### **Prashant Pundrik**

#### **Supply Chain Associate, ConocoPhillips Asia Ventures Pte Ltd.**

Prashant Pundrik is a Supply Chain Associate for ConocoPhillips Asia Ventures Pte Ltd. ConocoPhillips (COP) is the third-largest integrated energy company in the United States, based on oil and natural gas proved reserves and production. Headquartered in Houston, Texas, the company operates in nearly 40 countries around the world.

Before joining COP, Prashant worked at the manufacturing facility of Asian Paints, India's largest paint company. His previous experience also includes information technology consulting.

Prashant has a master's degree in mechanical engineering and a Master of Business Administration from National University of Singapore.

## Identify the problem



The first step in building a business case is identifying the problem you want to solve or opportunity you want to seize. Even if your boss has the idea and asks you to build the business case for it, you will still need a solid understanding of the issue at hand.

Consider how you would describe the following situation, which will be used as an example throughout this topic:

Satellite Electronics' new strategy will require that 200 sales staff learn how to identify customers' needs and define the best solution, or set of products and services, to meet those needs. A competitor that recently adopted this approach has seen its sales per headcount increase 10% to 12%.

Sydney's group is already stretched to its limit with current assignments, and her boss has told her that no current projects can be eliminated or delayed. Sydney is grappling with the problem of how to best support the sales organization during its transition to the new strategy.

## Develop an opportunity statement

“ When you confront a problem you begin to solve it. ”  
–Rudy Giuliani

Once you identify the problem or opportunity at hand, develop a statement that describes the benefits that will come with solving the problem or seizing the opportunity. In other words, answer the question, "How will my group/unit/company benefit from spending resources to address this issue?"

A strong opportunity statement for Sydney would be: "The training and development group will help increase revenue at Satellite by enabling the sales group to move from a product-selling to a solutions-selling approach."

When drafting your own statement, be sure to address the situation as an opportunity rather than a problem. Also, avoid the common mistake of defining the opportunity by describing your preferred solution.

For example, Sydney might be tempted to describe the issue as: "I need two more headcount to support the new sales strategy." This statement is too limited and would prevent Sydney from considering alternative solutions.

## Leadership Insight: The essence of entrepreneurship



When I first came to Harvard Business School in the '80s, I met Howard Stevenson, who was one of our faculty — he was really one of the people who started entrepreneurship at the school. And he had a definition of entrepreneurship back then that we still use today. And his definition, really, for me, sparks the essence of entrepreneurship — it really does capture it.

He defines entrepreneurship as the relentless pursuit of opportunity, without regard to the resources currently controlled. Now, I think that's a really neat definition, because it says that entrepreneurship doesn't have anything to do with the age of a company, it doesn't have anything to do with the size of a company, and it doesn't have to do with anything with the industry you're in.

It's really a way of leading, and a way of thinking about business that says that you're willing to get out there and actually get started before you've got all the resources lined up.

It's relentless because you're at the edge. You're really trying to think about new ways of doing things that are going to solve big problems.

It's opportunity-driven, not risk-driven. You're not thinking about reducing risk, which is the way we think about managing in established businesses a lot, and the way we think about managing current operations. It's a way of thinking about opportunity driven: Where are the opportunities out there?

And finally, if you're on the edge and you're thinking about opportunities, you always have to get started before you've got all the resources lined up. So being able to go out there and find those resources and present that vision in a very compelling way is the essence of entrepreneurship.

Now, one thing you note is, it's not reckless. I didn't say the reckless pursuit of opportunity; I said relentless. Great entrepreneurs aren't reckless. They know how to manage risk. A lot of people think entrepreneurship is about getting out on the edge and actually being a risk-taker. Great entrepreneurs know how to manage risk. They know risk is really uncertainty, and that if you can step back and understand the uncertainty and plan for how you might have to manage it, then you can get started before you have all the resources and have everything lined up.

A way of leading that's opportunity-driven, not risk-driven.

### **Lynda Applegate**

**Professor & Unit Head, Entrepreneurial Management, Harvard Business School**

Lynda Applegate is the Martin Marshall Professor of Business Administration at Harvard Business School, teaching courses in entrepreneurial management and technology and innovation.

Her current research and recent publications focus on the challenges of building new ventures and leading radical business innovation in the face of significant market, technological, capital market, and regulatory turbulence. She serves as Chair of the school's Entrepreneurial Management unit and Owner-Managed portfolio of executive programs.

Prior to joining the HBS faculty, Lynda was on the faculty of the University of Michigan, University of Washington, and University of



Arizona. Her research and teaching have earned numerous awards, including Harvard Business School's Greenhill Award for Outstanding Contributions to the School, the Berol Award for Research Excellence, and the Apgar Award for Innovation in Teaching.

Lynda is an active international consultant and has served on the board of directors of both public and venture-backed companies. She is on the Board of Trustees of the Massachusetts Technology Council and has served as a member of the Industry Advisory Board for NASDAQ.

## Activity: Turn a problem into an opportunity

Developing a strong opportunity statement is a crucial step in building a business case. Can you identify the best opportunity statement?

At Glasswell Optics, technical limitations have led to the company website being unavailable and possible security holes that could leave customer account information vulnerable. Eric has been asked to explore options for a technical upgrade and to recommend a solution. But first he wants to develop a strong opportunity statement.

Which of these statements do you think he should use?

- ☐ Glasswell will help increase website reliability and information security with a technical upgrade.

**Correct choice.** Glasswell may realize further benefits from this project, such as increased sales and customer satisfaction, but this opportunity statement presents the immediate benefits of solving the company's technical difficulties.

- ☐ Glasswell will choose a new hosting vendor to improve website performance.

**Not the best choice.** Choosing a new hosting vendor may be the solution Glasswell ultimately chooses, but an opportunity statement should not include a desired solution. This statement is too limited and may prevent Glasswell from considering other viable solutions.

- ☐ Glasswell will address problems in the infrastructure with a technical upgrade.

**Not the best choice.** While Glasswell does indeed have difficulties with its technical infrastructure, a well-constructed opportunity statement frames the problem as an opportunity to be seized.

Glasswell Optics has traditionally focused on making glass for scientific equipment. But recently, managers noted that a competitor has begun creating lenses for high-end video cameras. As a product manager for Glasswell, Ryan needs to evaluate the possibility of entering this new market.

Which of these statements best represents a strong opportunity statement?

- ☐ Glasswell will counter its competitor's advantage by focusing on new markets.

**Not the best choice.** While the competitor's success in the video camera market provided the spark for Glasswell to consider a product line, this statement fails to frame the problem as an opportunity.

- ☐ Glasswell will increase revenues by tapping an underserved market in video cameras.

**Correct choice.** This statement recognizes that the current market deficit Glasswell faces in video cameras is an opportunity for a new revenue stream if Glasswell brings its expertise to the field.

- ☐ Glasswell will partner with a leading technology company to produce motion picture quality video cameras.

**Not the best choice.** This statement defines the opportunity by describing a preferred solution—a partnership with a technology company to produce high-quality video cameras. It therefore is too limited and would prevent Ryan from evaluating alternatives to exploring the new market.

At Glasswell Optics, turnover has increased among employees with the most technical expertise. As a result, the company is having difficulty developing new products fast enough to keep up with rivals. Valerie, a manager in the human resources department, is considering ways to address the situation.

Which of the following is the best opportunity statement for Valerie's proposal?

- ☐ By offering new technical hires a larger signing bonus, Glasswell will retain these workers long enough to improve speed to market.

**Not the best choice.** This statement defines the opportunity by describing a preferred solution—offering larger signing bonuses to new hires. It therefore is too limited and would prevent Valerie from evaluating alternative solutions to the problem of high turnover among technical staff.

- ☐ To avoid losing market share, Glasswell needs to find ways to discourage technical staff from seeking jobs in rival organizations.

**Not the best choice.** This statement frames the situation as a problem, not an opportunity to generate new value for the company.

- ☐ The HR group will help Glasswell improve speed to market of its products by finding ways to retain skilled workers.

**Correct choice.** This opportunity statement specifies the benefit that will come from addressing the high turnover among Glasswell's technical staff.

## Identify relevant business objectives

Once you've written your opportunity statement, identify the most relevant business objectives. Beyond the obvious financial gains, such as cost savings or increased sales, consider how seizing the

opportunity you've defined will enable your company to achieve important objectives. To find out what your company considers important, examine the key business metrics it tracks—such as employee morale, customer loyalty, environmental responsibility, and so forth. Often, a company's performance measurement system—for instance, a Balanced Scorecard or a dashboard—documents your organization's high-level metrics.

Even if some of your company's key objectives are difficult to measure in dollar terms—such as improved employee satisfaction—don't shy away from considering them. Be sure to list all the key objectives that might be relevant for your project.

## Prioritize business objectives

Next, prioritize these objectives, choosing three or four to analyze. How can you narrow down your list? Ask yourself whose support you would need to implement your ideas, and who would be affected if your ideas were put into action. Consider how these stakeholders tend to make decisions and what business results are important to them.

For example, in the Satellite scenario:

- The vice president of finance might be most concerned with profitability.
- The vice president of sales may be particularly concerned with customer satisfaction and revenue growth.
- The vice president of human resources (HR) might care most about employee satisfaction, which drives sales-staff turnover.

After assessing these preferences, Sydney might identify the following objectives: (1) increase profitability and revenues, (2) improve customer satisfaction, and (3) reduce employee turnover.

## Map business objectives to metrics

The next step is to identify metrics for each of the objectives you've defined. Later, once you've determined your alternatives, you'll use these metrics to measure the impact of each course of action on your chosen objectives.

In the Satellite example, Sydney ties each of her business objectives to metrics as follows:

- **Increase profitability and revenues**—Sydney decides it will be important to measure the impact of alternative proposals on the metric "sales revenue per person." Because both costs and revenues affect profitability, Sydney also determines to measure the one-time and ongoing costs associated with each alternative.
- **Improve customer satisfaction**—Satellite uses a performance management system that includes customer satisfaction as a metric, so Sydney decides she will use the existing metric. She also decides to ask the sales and marketing departments if they use metrics such as "customer retention"—on the assumption that the more satisfied customers are, the more likely they are to keep doing business with the company. And because loyal customers often buy more, Sydney also considers using the metric "repeat sales."
- **Reduce employee turnover**—Because employee satisfaction affects turnover, Sydney decides to ask her colleagues in human resources to provide her with data from the annual employee satisfaction survey as well as information about employee turnover. She'll use the ratings from the survey as her "employee satisfaction" metric in addition to

the existing "turnover" metric. She also opts to use "cost of employee turnover" as a metric. The cost of employee turnover derives from hiring and training costs, and any loss in productivity while new hires get up to speed. For a new sales employee, lost productivity takes the form of lost sales dollars.

For any business objective, there are many potential metrics to choose from. In addition to the financial and nonfinancial metrics described above, there are metrics based on time, quality, work habits, employee development, and so forth that may be appropriate for your business case. Also, your company may already be tracking metrics that are useful for your business case. If appropriate metrics currently exist, there's no need to invent new ones.

## Key Idea: Generate a list of alternatives

### Key Idea

While building a business case, it's vital to brainstorm a full set of alternatives rather than latching on to the first one or two good ideas that occur to you. The following pitfalls can prevent a manager from developing a comprehensive list of alternatives:

- Restricting the list of choices to the first solutions he or she considers.
- Having a "limiting" mindset, such as believing that "consultants should never be used" or that "consultants should always be used."
- Having a strong preference for a particular solution at the outset of the process and therefore failing to explore additional possibilities.
- Failing to consider the status quo (the current condition) as an alternative.

To avoid these traps, convene a group of stakeholders and ask them to brainstorm ideas with you. These stakeholders are the people that would be affected by the outcome of your proposal—but could be either internal or external to your organization. Record the results of the brainstorming on a flip chart or white board, *without* judging them or discussing their potential pros and cons. Your goal is to generate as many feasible alternatives as possible.

Your first solution isn't always the best. Brainstorm a list of alternatives with key stakeholders to make sure you consider all the options.

## Ask for input

“ Always think outside the box and embrace opportunities that appear, wherever they might be. ”  
—Lakshmi Mittal

Since a big part of building a business case is selling your idea, it makes sense to identify and talk with stakeholders early in the process so they feel more involved. And you'll also learn what they value most—so you can better appeal to their interests in your final presentation.

When Sydney conducts her brainstorming session, she invites her team members as well as key people in sales, finance, and HR. The participants come up with a long list of ideas for enabling the training group to help sales adopt the new solutions-selling strategy. These ideas include

"add FTEs in training department," "hire curriculum consultants," "use outside classroom facilitators," "cancel low-priority existing projects," and many other possibilities.

After generating a list of alternatives, meet with other stakeholders to get additional ideas for alternatives, as well as insights into the possibilities you've generated so far. Talking with trusted advisors at this stage is also prudent.

For example, if after talking with other stakeholders Sydney discovers that Satellite's finance and human resources departments have implemented a hiring freeze during the current fiscal year, she could decide to omit the alternative "add FTEs in training department" and focus instead on ideas such as using a training consulting firm or hiring outside classroom facilitators. Even if she decides to keep the FTE alternative under consideration, she'll want to show why she believes it's an important possibility and how it compares to using a consultancy or hiring outside contractors.

In the end, Sydney ends up with the following list of alternatives:

1. Try to support the new sales strategy with the existing training staff (the status quo option).
2. Add two permanent headcount in the training group who will focus on implementing the new training.
3. Add two contractors to focus on the implementation.
4. Hire a consulting firm to do the work.
5. Borrow people from sales to help implement the training.

## Narrow your choices

Once you have received input from stakeholders, it's time to narrow your list of alternatives down to the two or three options—in addition to the status quo—that will best address your business objectives and stakeholders' needs. Strategies for narrowing down your choices include:

- Combine any alternatives that could reasonably be implemented together.
- Eliminate elaborate, high-risk options.
- Favor the easy-to-implement over the complex and difficult.

Don't spend too much time agonizing over this step. Instead, go with your intuition about which choices seem the most feasible and likely to meet your objectives. At this stage, you will likely want to depend more on your hunches and professional judgment than a careful analysis of each alternative.

Consider Sydney's case: Since she knows that Satellite executives will resist adding permanent headcount immediately, she decides to combine her original options 2 and 3 into a single solution: hiring two contractors with the intent that they may become permanent headcount in a year. She also knows that sales is already understaffed, so she deletes option 5 (borrowing people from sales to implement the training).

Thus, her final list of alternatives is:

1. Hire a consulting firm to develop and deliver the training.
2. Add two contractors to provide the training, with the option to hire them as permanent employees after a year, if necessary.
3. Try to implement the new training with the existing staff (the status quo option).

## Activity: The best way to generate alternatives

Don't latch onto the first good idea that comes to mind for seizing the opportunity you've identified. Instead, generate alternatives.

At Glasswell Optics, Eric has defined a strong opportunity statement related to the company's website. His opportunity statement is: "Glasswell will help increase website reliability and information security with a technical upgrade." But now Eric has to generate alternatives for seizing the opportunity he has identified.

Which of the following actions should he take to identify alternatives?

- ☐ He should convene a group of stakeholders to brainstorm ideas with him, making sure to evaluate the possible pros and cons of each idea as they are discussed. Then he should narrow his list of brainstormed alternatives to the single best option, based on a comprehensive analysis of each alternative.

**Not the best choice.** While brainstorming possible alternatives, it's best not to judge stakeholders' ideas or discuss their potential pros and cons. Judging will limit the list of ideas. Instead, Eric should record ideas during his brainstorming session with the goal of generating as many alternatives as possible.

Carefully analyzing each alternative to narrow down his choices will likely waste valuable time. Additionally, Eric shouldn't narrow his list down to just one option. Instead, he should use his professional judgment and intuition to identify the two or three options that seem most feasible and most likely to meet stakeholders' needs.

- ☐ He should brainstorm ideas with a wide range of stakeholders, making sure that the resulting list of ideas includes the status quo. From his list of possible alternatives, he should then pick the two or three options that would be easiest to implement and most likely to meet his objectives.

**Correct choice.** By discovering what different types of stakeholders value, Eric can more easily evaluate how well various alternatives would meet their needs.

A good strategy for narrowing down your list of alternatives is to eliminating elaborate, high-risk options in favor of two or three easy-to-implement choices that will most likely meet your objectives.

## Identify the information you need





List all the information you'll need in order to compare your choices. How do you determine the needed information? Look again at the metrics you've chosen for each of your business objectives. Ask yourself what data you'll need to gather for each metric.

For example, Sydney would start by examining the business metrics she defined. Keep in mind that Sydney's business case is robust. Depending on the scope of your business case, you may not need to gather nearly as much supporting data as Sydney.

Sydney might want to obtain the following data for the metrics she wants to track:

- **Sales revenue per person**—The number of dollars in sales each person would generate for each scenario.
- **Cost of each alternative**—The one-time and ongoing costs associated with each of her three choices.
- **Customer satisfaction**—Historical customer-satisfaction ratings from the company's performance management system, plus anticipated ratings for each scenario.
- **Customer retention**—Historical customer-retention rates from the sales and marketing departments, plus anticipated retention rates for each scenario.
- **Repeat sales**—Figures on the repeat sales typically generated by retained customers, and estimates of how many customers would be retained given each of the three scenarios.
- **Employee satisfaction**—Historical employee satisfaction data from HR surveys, plus educated guesses about how employee satisfaction might change in each scenario.
- **Turnover**—Historical turnover rates, and estimates of how each scenario might affect turnover.
- **Cost of employee turnover**—Typical costs of hiring and training sales people, plus information from sales about how much revenue is lost when a new sales employee is ramping up.

Wherever possible, you should start by obtaining historical and/or typical data. You'll then want to forecast changes in that data that would result from each of the alternatives you're comparing.

## Gather the data

“ The best preparation for good work tomorrow is to do good work today. ”  
 —Elbert Hubbard

The information you want probably won't all be in one place. You'll have to do some digging. Sources to consult include:



- Internal colleagues in human resources, finance or other departments that might have access to key business performance metrics
- Colleagues and friends outside of your organization that have proposed a similar initiative or project
- Industry journals and reports
- Industry experts
- The Internet
- Consulting firms with expertise in the choices you are considering

Consider consulting several sources for each piece of information, to get the best estimates possible.

## Set a time frame

Once you've gathered your data, estimate a time frame for implementing the initiative and achieving the benefits of the opportunity you've defined, given each of the alternatives you're considering. Also consider how long it will be until the project delivers its estimated benefits—it may be a year or two, or longer.

In Sydney's case, she would gauge how long it would take her group to provide the solutions-selling training in each of the three scenarios she's exploring, as well as the time needed for the sales force to realize 100% of its target benefits.

To set a time frame, ask:

- When would the initiative get under way?
- Would it be phased in over the course of one year, three years, or more?
- Would it be synchronized with calendar years, fiscal years, or other initiatives?
- Would it have a clear end point at which all its benefits would be generated?

Setting a time frame requires a lot of estimating.

For example, in the Satellite scenario, Sydney calculates, in rough terms, how long it would take to provide the sales training with her current staff versus how long it would take if she hired a consulting firm, or used two contractors with the option of hiring them permanently. Next, she estimates how long it will take the sales force to come up to speed and realize target benefits. Finally, she projects out a year or two for the time until the benefits of the project will be fully realized and provide competitive advantage.

## Document your estimates and assumptions

When you make estimates like these, record the information you're using and the assumptions you're making. Documenting in this way will enable you to explain your reasoning to anyone who asks.

For example, Sydney assumes that Satellite's customers would respond to the solutions-selling approach in the same way that its competitor's customers did. She can get these revenue increase assumptions from the internal group (e.g., finance, strategy, etc.) who put together the rationale for moving to this strategy.

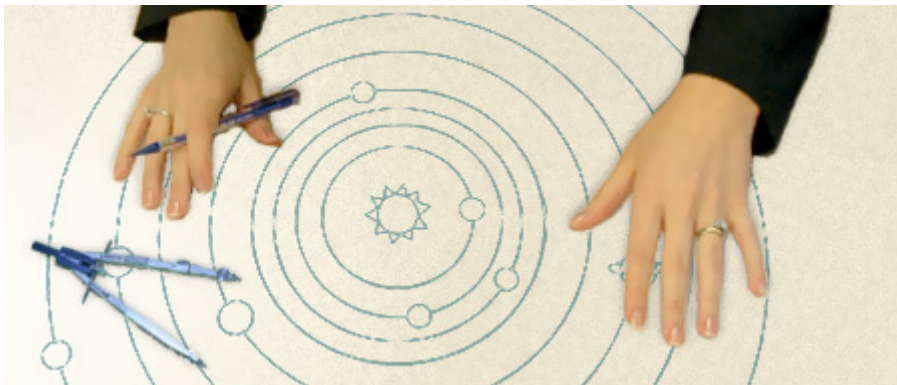
Among other estimates, Sydney will also need to approximate the financial costs for each alternative. For example:

- **The consulting option:** She would start by asking the consulting firm for fees and costs they have incurred in the past, and then look to similar projects she might have carried out in the past.
- **The contractor option:** She would ask the hiring manager about the costs associated with hiring contractors, and then would consider what turning them into employees might cost.
- **The status quo option:** She would build in the cost for her current staff to do the work.

Once Sydney has the numbers she needs, she'll need to document her sources. She'll want to describe what is included—and excluded—for each of her costs. She'll also want to predict any expected variations.

Documenting your estimates and assumptions also helps you evaluate any new information you gather later in the process. You can easily compare it against the information you used for your original analysis.

## Evaluate alternatives against your metrics



In most companies, executives want to know the financial implications of each of the alternative courses of action presented to them in a business case. That is, they want to know an alternative's possible impact on revenues, its return on investment for the time period you selected, its payback period (when its benefits will pay for the resources invested in it), and so forth.

Many managers who lack a strong financial background worry about their ability to provide this information in their business case. You won't necessarily do such financial analyses yourself—unless, of course, you want to do them. If you don't, ask someone in the finance department or a peer who is an expert in finance for help.

You ultimately want to show each alternative's impact on the metrics you've defined, as well as on the financial metrics of interest to top management.

## Common financial metrics

The following are some common high-priority financial metrics:

- **Payback period**—The time that transpires before an investment pays for itself; the length of time needed to recoup the cost of an investment.
- **Net present value (NPV)**—The economic value of an investment. You calculate NPV by subtracting the cost of the investment in your proposed alternative from the present value of

the investment's future earnings. Because of the time value of money, the investment's future earnings must be discounted in order to be expressed accurately in today's dollars.

- **Return on investment (ROI)**—A financial ratio measuring the cash return from an investment relative to its cost for a stated period of time.

Choose the financial and nonfinancial business performance metrics and calculations that best meet the needs of your audience and are most appropriate for your business case.

## Key Idea: Create a framework for comparison

### Key Idea

At this point in building your case, you've estimated each of your alternative's financial ramifications and considered their impact on any nonfinancial metrics you've defined. Now document your conclusions so they are easy to compare. Try to turn as many conclusions as possible into specific dollar amounts.

Not every alternative has potential impacts that can be expressed as dollars or measurable improvement in business metrics, however. In such cases, consider creating a pros and cons table. Use this table to capture positive financial outcomes and nonfinancial advantages as well as any negative financial outcomes and disadvantages. While many organizations have prescribed formats for evaluating and comparing alternatives, starting with a simple pros and cons table is an easy way to document your thinking in one place.

How do you decide on the best possible solution when your alternatives can't be expressed in terms of financial impact or direct improvement in business metrics?

## Leadership Insight: Test your assumptions

When developing a business plan, whether you're doing a business plan for an established company, a new business in an established company, or whether you're doing it for a brand new business, most people spend way too much time focusing on the numbers and not enough time focusing on the assumptions behind the numbers.

Those assumptions might include the size of the market and how big you think it's going to be. But the only thing we know with certainty, when you get started with a business plan, is that the assumptions you're using will be wrong. And your job, as an innovator or a business — an entrepreneur — is to decide how wrong, where wrong, and whether or not the areas of uncertainty could actually become fatal flaws.

A good example of this is when you think about the Amazon.com business. Jeff Bezos was an analyst. He was used to running the numbers, and actually came up with the idea for Amazon.com when he was still working as an investment banker looking at where the Internet might make the most impact.

And he thought it would have tremendous impact on commerce, on how we buy and sell. But he also recognized that the easiest place to start was going to be in online books. So he stepped

back, looked at the assumptions behind the book market, all the while knowing that the bigger market was there for many other different kinds of online retail.

He actually developed the business plan driving cross-country. While his wife drove and he sat in the car and kind of sketched out what he thought those numbers would be and what his assumptions were about the business itself. When he got to Seattle, they actually started building the business in his garage.

And, initially, it was just a Web site and his lack of certainty on the assumptions behind the business. They actually hooked up a bell to the computer, so that every time a sale would come through, it would ring the bell. Because they didn't think they were going to have that many orders.

Truth of the matter is, by the end of the first week, they had to disconnect the bell, because it was going off all the time. So, it was those assumptions — he had an assumption that this was going to be a big market, that they could develop a technology product that people could use to buy books online and that he was going to be able to get the resources.

But he tested those assumptions first with something that decreased the risk.

Prevent wrong assumptions from becoming fatal flaws.

### **Lynda Applegate**

**Professor & Unit Head, Entrepreneurial Management, Harvard Business School**

Lynda Applegate is the Martin Marshall Professor of Business Administration at Harvard Business School, teaching courses in entrepreneurial management and technology and innovation.

Her current research and recent publications focus on the challenges of building new ventures and leading radical business innovation in the face of significant market, technological, capital market, and regulatory turbulence. She serves as Chair of the school's Entrepreneurial Management unit and Owner-Managed portfolio of executive programs.

Prior to joining the HBS faculty, Lynda was on the faculty of the University of Michigan, University of Washington, and University of Arizona. Her research and teaching have earned numerous awards, including Harvard Business School's Greenhill Award for Outstanding Contributions to the School, the Berol Award for Research Excellence, and the Apgar Award for Innovation in Teaching.

Lynda is an active international consultant and has served on the board of directors of both public and venture-backed companies. She is on the Board of Trustees of the Massachusetts Technology Council and has served as a member of the Industry Advisory Board for NASDAQ.

## **Alternative one**



Before creating her pros and cons table, Sydney gathered the following information on her three alternatives and made a series of assumptions. Depending on the scope of your business case, you may not need to perform such a thorough analysis.

Sydney's analysis for her first alternative yielded the following assumptions:

#### Hire a consulting firm.

- **Impact on sales.** Sydney found a consulting firm that specializes in solutions selling. She asked Satellite's vice president of sales for an estimate on how using the consulting firm's methods would affect sales. He estimated that this choice would result in a 10%-20% increase in sales. Her competitors saw increases of about 10%. Sydney decided to use the 10% number for her analysis, which translated into \$7 million in additional sales by the end of year one.
- **Costs.** The cost to hire the firm for one year would be \$2 million.
- **Impact on customer satisfaction.** She believed the consulting firm would be more effective at improving customer satisfaction because of their experience in this area. A partner at the firm estimated that customer satisfaction would improve by 10%-15%. She selected 10% because she could not confirm whether this firm inflated their expected results and she wants to provide stakeholders with realistic numbers.
- **Impact on employee satisfaction.** Sydney also assumed that sales employees' satisfaction would increase 10% owing to the expected higher sales and resulting higher compensation. However, she believed that some members of her team might be upset that a consulting firm was hired to do their work, which may decrease employee satisfaction in her team. As a result, one to two members of the training group might leave if she chose this option.
- **Impact on turnover.** She consulted Human Resources, which estimated a cost of \$50,000 to hire and train two new employees in her group if staff did leave.

#### Alternative two

Sydney's analysis for her second alternative yielded the following assumptions:

#### Add two contractors—with the possibility of permanent hires later.

- **Impact on sales.** If Sydney hired contractors and oversaw the project herself, she estimated she would not be as effective as the consulting firm, because she has not managed this type of transition before. She therefore estimated she would get an increase of \$5 million in sales by the end of year one.
- **Costs.** Hiring two contractors for a year would cost \$500,000.
- **Impact on customer satisfaction.** Sydney feared that customers wouldn't be as satisfied with the results produced by contractors as with those generated by consultants who were experts in the

area. She therefore estimated that customer satisfaction would improve only 5%.

- **Impact on employee satisfaction.** She assumed sales employee satisfaction would increase 10%, again owing to the higher sales and therefore higher compensation.

## Alternative three

Sydney's analysis for her final alternative yielded the following assumptions:

### Status quo option—do the training with her existing staff.

- **Impact on sales.** Because her group didn't have experience implementing this new approach, she estimated that it would take them six months longer than the consulting firm to complete the project. She also believed that her group would not produce the same quality of work as the consulting firm. Thus she estimated a sales increase of only \$4 million per year. She also estimated that due to her group's previous commitments and steep learning curve, this increase would not start until 18 months into the project.
- **Impact on customer satisfaction.** She estimated that customer satisfaction would be similar to that of the contracting option—a 5% increase.
- **Impact on employee satisfaction.** Sales employee satisfaction would increase 10%, as in the other two options.
- **Impact on turnover.** Because her staff was already overextended, Sydney estimated that it would take at least three months before she and her group could focus any attention on developing the new training. Once the effort began, she believed that her existing staff might become so overwhelmed that one to two members might leave, thus incurring a cost of \$50,000 to hire and train two new employees. During those three months, she estimated that at least one sales professional would leave in search of higher commissions at a competitor who had already implemented the solutions-selling approach.

## Pros and cons table

After making these analyses, Sydney develops the following pros/cons table:

**Alternative Pros and Cons**

Alternative	Pros	Cons
Hire a consulting firm	<ul style="list-style-type: none"> <li>• \$7 million increase in sales per year by the end of year three</li> <li>• Customer satisfaction up 10%</li> </ul>	<ul style="list-style-type: none"> <li>• \$2 million cost for one-year contract</li> <li>• Possible cost of \$50,000 to hire and train two training and development employees to replace defectors</li> </ul>



	<ul style="list-style-type: none"> <li>• Sales team satisfaction up 10%</li> <li>• Consulting firm expertise</li> <li>• Consultant easily replaced by colleague from firm</li> <li>• Option may have more credibility with senior managers because of the firm's experience doing this kind of work</li> </ul>	
Add two contractors (with possibility of permanent hires later)	<ul style="list-style-type: none"> <li>• \$5 million increase in sales per year by the end of year three</li> <li>• Customer satisfaction up 5%</li> <li>• Sales team satisfaction up 10%</li> </ul>	<ul style="list-style-type: none"> <li>• \$500,000 cost for one year</li> <li>• Time required to hire and bring contractors up to speed</li> <li>• Uncertainty about contractors' expertise</li> <li>• Costly (time and money) to replace if not performing</li> </ul>
Status quo (use existing staff)	<ul style="list-style-type: none"> <li>• \$4 million increase in sales per year by end of year three—with a delay of an additional six months</li> </ul>	<ul style="list-style-type: none"> <li>• Implementation of training will take six months longer than the other two options, delaying the increases in revenue, customer satisfaction, and</li> </ul>



	<p>over the other two options.</p> <ul style="list-style-type: none"> <li>• No increase in expenses or headcount.</li> <li>• Customer satisfaction up 5%</li> <li>• Sales team satisfaction up 10%</li> </ul>	<p>sales employee satisfaction</p> <ul style="list-style-type: none"> <li>• Potential cost of \$50,000 to hire and train two training and development employees to replace defectors</li> <li>• \$120,000 in lost sales revenue and in hiring and training costs to replace a defecting sales associate</li> </ul>
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## Select the best solution



Once you've compared the pros and cons of your alternatives, you'll need to select the best possible solution—and justify your choice. Some companies track data on how various metrics affect their overall financial performance (for example, how customer satisfaction influences sales). If your company has this information and you can attach dollar figures to each of your metrics, then your selection process may be as simple as adding up all the numbers and making a comparison.

However, you probably won't have all of this information at hand. You'll need to come up with a strategy for making your choice. This isn't an exact science, so you'll have to rely on your intuition and best judgment, as well as input from others. Remember to document your rationale so you can explain it to others later.

In the Satellite example, Sydney reviews her pros and cons table and identifies the choice whose benefits she thinks best outweigh the costs: hiring the consulting firm. She reasons that this option would:

- Generate the highest revenue increase in the quickest time.

- Give the company access to expertise that would reduce the risks inherent in introducing a new selling strategy.
- Yield the highest increase in customer satisfaction.
- Improve sales employee satisfaction and thus reduce turnover (and possibly attract talent) in the long term.

## Consider the risks

“What you have to do and the way you have to do it is incredibly simple. Whether you are willing to do it is another matter.”  
–Peter F. Drucker

Once you select an option, identify the potential risks to you and the organization before you commit to it. Think about the risks to:

- **The implementation of your idea**—Do you have the right people to accomplish the necessary tasks? Can you meet the necessary schedule with your resources? What would happen to the organization if you cannot meet your goals and timelines?
- **Your peers and organization**—What would happen to your peers and the organization if you don't make the numbers you expected? For example, if your projections are built into your organization's metrics and are rolled up to the corporate commitments for the head of sales, could his or her career suffer if you don't achieve the projected gains? Are there other risks in terms of members of the sales team leaving the organization once they have higher skill levels?
- **You**—What are the possible career consequences if your alternative fails? For example, depending on the size of the project and the amount of resources you need, your performance rating might be affected, you could lose credibility, or you could be let go.

Also consider your personal tolerance level for risk, as well as your organization's tolerance level.

## Activity: Assess that risky business

Once you've selected a solution to present in your business case, you need to weigh the risks associated with that solution. Practice identifying some typical sources of risk.

After weighing several potential solutions to Glasswell Optics' website problems, Eric has decided to split responsibility for the website hosting and customer-data management to different hosts. But he knows he needs to consider the various risks that may be associated with this solution if it fails. First he considers risks to himself.

Which of the following constitutes this type of risk?

- ☐ He could receive a poor performance review

**Correct choice.** If Eric's chosen course of action fails, that failure may reflect poorly on Eric. His boss may hold him accountable for the negative outcome in his next performance review.

- ☐ Customers who lost data could initiate legal action against Eric

**Not the best choice.** In the event of a data-security breach, customers would not likely hold Eric legally liable.

- ☐ Eric's boss could insist on an aggressive timetable for implementing the solution

**Not the best choice.** An aggressive timetable is not a risk that would affect Eric directly.

After considering the risks to himself that may be associated with his preferred solution, Eric takes stock of risks to the implementation of his idea.

Which of the following constitutes this type of risk?

- ☐ The reputations of all involved in carrying out the solution could come into question if the project fails

**Not the best choice.** Damage to reputations is not an implementation risk associated with a proposed solution.

- ☐ Eric may not have access to the resources needed to put his solution into practice

**Correct choice.** To implement any solution, the right resources are required—including personnel, funding, and equipment. If the resources needed to accomplish the necessary tasks are insufficient, implementation of the solution will fail.

- ☐ Customers may be dissatisfied with the new security measures introduced by Eric's solution

**Not the best choice.** Any customer dissatisfaction would arise after Eric's solution was already implemented, not during the implementation process itself.

After considering the risks to implementation of his preferred solution, Eric weighs risks to his peers and organization.

Which of the following constitutes this type of risk?

- ☐ Eric's team may discover that they can't meet the schedule for splitting the hosting responsibilities with the budget they were given

**Not the best choice.** This would be a risk to implementation of Eric's solution, not to his peers and organization.

- ☐ Eric's peers in other departments may lose confidence in his ability to do what's best for the company

**Not the best choice.** This potential loss of credibility would be a risk to Eric personally, not to his peers and organization.

- ☐ The new host designated for customer-data management could take too long to transition into the role

**Correct choice.** If the new host takes too long to transition into the role, people who need access to the data to solve customer complaints may be unable to get the data they want. Customers could become annoyed and take their business elsewhere. This

would threaten the company's financial performance and the reputations of the people who have responsibility for servicing customers.

## Conduct sensitivity analysis

Ask someone in your finance department to help you analyze what would happen if you changed some of your assumptions or your estimates changed. This process is known as sensitivity analysis. For example, what would happen to your organization's bottom line if sales revenue increased only 5% instead of the 15% you predicted—or if it increased by 20%? You might decide that the alternative you've chosen to advocate for would no longer be feasible.

Another way to conduct a sensitivity analysis is to describe a worst-case and best-case scenario, and to share both of them in your business case.

## Mitigate the risks



Consider how you might mitigate the risks you've identified.

For example, in the Satellite scenario, Sydney reasons that hiring contractors is time consuming: she may not be able to find anyone with the right expertise to do this type of project right away. Therefore, this alternative poses the risk of delaying revenue gains three to six months beyond the consulting option. If this occurred, the sales group wouldn't meet its target numbers for the year. Sydney considers whether to eliminate this option, even though the cost of hiring the contractors would be far less than hiring the consulting firm.

Sydney also thinks about the risk inherent in negotiating the contract with the consulting firm. The consultancy might want more than \$2 million to do the work. To mitigate this risk, she considers using Satellite's best negotiator or even involving her company's vice president of procurement to ensure a well-handled negotiation.

## Modify your recommendation if necessary

Deciding how you mitigate risks helps you refine your recommendation even further. If two of your alternatives offer roughly equal benefits, you may want to compare their risks. If your initial

recommendation is too risky, you may decide to modify it or even abandon it for a different alternative.

For example, based on her initial analysis, Sydney was leaning toward the option of hiring two contractors. But after considering the risks, she thinks about hiring the consulting firm instead and then hiring two contractors to maintain training and support for sales.

Also keep in mind that for any alternative that requires an increase in headcount or budget dollars, your request for additional resources could be denied. Prepare another option, even if it seems less desirable. Clearly define the negative impact and missed opportunities that would result if resources were not allocated toward your project.

In Sydney's case, if her request for funding to hire the consultancy is refused, she might have to resort to using her own people to implement the new training. She would then be forced to drop several projects so her staff could take on the new project without becoming overloaded. This decision would be especially problematic as her boss has told her that no current projects could be eliminated or delayed.

## What is an implementation plan?



Your implementation plan lays out how you intend to track your progress and measure your success if your proposed solution is put into action.

Many managers think of an implementation plan as a list of action items, due dates, and the people responsible for them. Decision makers reading your business case will certainly want to know this information. But they'll also want to know the following:

- The primary milestones
- The individuals responsible/accountable for each milestone
- The resources required to reach each milestone
- Dates when the company will see the benefits of your recommended course of action
- Impacts on the company's expense and headcount budgets
- Increases in revenue
- Your plan for demonstrating that the solution's intended results have been realized

Keep in mind that while decision makers will want to understand each of your milestones to ensure that your project is feasible, they do not need the details of how you will accomplish each milestone.

## List your milestones

Begin developing your implementation plan by listing the major steps needed to carry out your solution. (Resist any urge to write down every little detail of your project plan.) These major steps are your milestones. Include notes about how you plan to address any risks. For example, document that you will start with a pilot training project or use a skilled negotiator in the contract phase.

If there are definable phases to the project, consider listing your milestones by phase.

In the Satellite example, this list would take the following form:

- **Phase 1 (1 month)**—Hire the consultant using the VP of procurement to negotiate the contract.
- **Phase 2 (6 months)**—Develop training, conduct pilot training, evaluate pilot, and collect sales results.
- **Phase 3 (3 months)**—Roll out training to all sales people and sales coaches.
- **Phase 4 (1 month)**—Track results; forecast improvement in sales, customer value, and employee turnover to establish business results targets for the next year.
- **Phase 5 (ongoing)**—Modify financial targets for sales on an ongoing basis.

## Check in with decision makers

Depending on the nature of your proposal, you may also want to establish explicit check-in points with decision makers to assess progress toward your stated goals. These check-in meetings usually occur after completion of a project phase. During the meetings, decision makers review the status of your project and advise you on any needed mid-course corrections.

When you present your milestones to decision makers, expect that they will want the project done much sooner than your estimated final delivery date. Anticipate negotiations about the timeframe. Be prepared with a back-up plan for how you could complete phases more quickly, or develop a convincing argument for why accelerating the project implementation would be too risky and would not achieve the intended results.

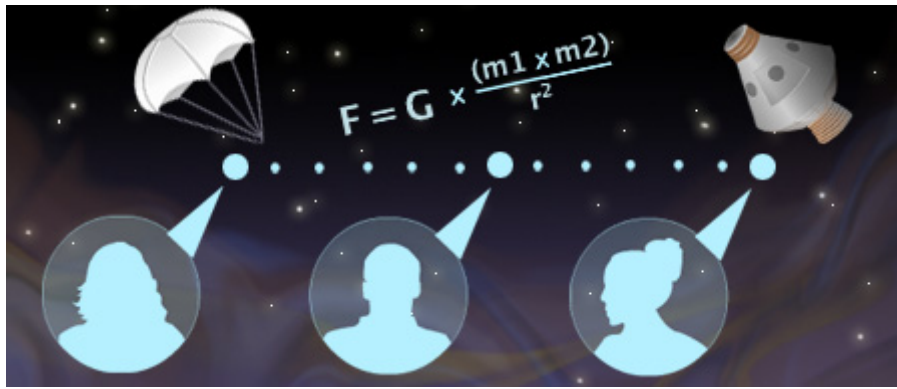
## Consider your resources

Now ask yourself what resources you'll need at each project phase.

For example, in the Satellite scenario, Sydney might expect to need someone from the procurement group to develop and monitor the contract between Satellite and the consulting firm. She will also need \$2 million added to her budget to pay for the consulting contract.

Show any movement of budget dollars and headcount as a step in your project plan. Otherwise, it may be overlooked, or decision makers may assume you will fund the project from your current budget.

## Clarify accountability and responsibility



Many projects do not succeed because managers fail to clarify who will be accountable for each milestone and to get a commitment from these individuals.

For example, Sydney knows she'll need someone from the procurement group to negotiate the consulting contract. But if she doesn't confirm with the department up front that they can provide someone, she may be left empty-handed when the contract negotiation phase begins.

In your implementation plan, name the individuals who will do each phase of the work. Also indicate who will be responsible for ensuring that each phase of the project realizes its intended results in terms of costs, revenues, benefits, and deliverables. (More than one person may share this responsibility.)

When reviewing your business plan, decision makers will also want to determine what burdens they'll have to shoulder in order for your proposed solution to succeed.

For example, in the Satellite scenario, the sales group would need to increase their forecasted revenue commitments to justify the cost of hiring the consulting firm.

## Indicate when you'll see the payoff

Decision makers reviewing your business case want to know when they can expect your solution to pay off—to generate the promised benefits. To answer this question, look at your data and clearly identify the range of impacts you expect to see during implementation of your solution.

For example, Sydney expects sales revenue to increase by \$7 million once her solution is implemented. Does she anticipate it will rise immediately? Probably not. More likely, she expects it to be flat at first. She believes that 10% of the annualized \$7 million (or \$175,000) will be realized in Q3 and 30% (or \$525,000) in Q4 of year one; 60% in year two (\$4.2 million); and the full \$7 million at the end of year three.

In estimating payoff dates, remember to plan for a lag between the time results occur and when they are recorded. Though your plan might generate the expected results during the expected period, those results may not get recorded in your company's performance management system until the following period.

## Track and evaluate your results

The projections in your implementation plan help you "sell" your case to decision-makers. They will also provide benchmarks for evaluating your project's effectiveness once it's implemented.



If your recommended solution receives the go-ahead, your organization will want you to regularly report on the project's successes and shortfalls. By keeping track of your estimated due dates versus the actual delivery dates, as well as estimated benefits versus actual benefits, you will generate the data you'll need to garner support for your project through each of its milestones.

Tracking your project's results will also help you strengthen your ability to build sound business cases and lead projects.

For example, once your project rolls into action, it may generate results that far exceed your expectations—signaling that you might have been too conservative in your business case. Or, you could see results that fall far short of your forecasts—suggesting that you may have been overly ambitious.

Whether your results prove better or worse than your expectations, take time to identify the causes behind any major deviation from your business case. By understanding what went wrong, you can learn what to do differently in the future. And by identifying what worked, you derive successful practices to use in subsequent efforts.

### Activity: Fix the implementation plan

Flaws in your implementation plan can cripple your business case. See if you can spot the flaws in an implementation plan and fix them.

Eric has decided to solve Glasswell Optics' website problems by distributing the customer database to a different hosting company. He must now create an implementation plan for the project. He breaks the project timeline into phases—including conducting a proof of concept for the chosen technology, training the IT department on new security protocols, rolling out services to the new host, and tracking system performance and customer satisfaction for three months following the upgrade. He also plans a check-in meeting with his boss to evaluate the success of the project.

Why might Eric's boss view this implementation plan as flawed?

- ☐ There is no need to test the technology prior to deployment, and conducting the test would only add unnecessary expense and time

**Not the best choice.** The proof of concept for the chosen technology is a necessary step in the implementation of Eric's solution.

- ☐ Eric's boss does not believe she should have to monitor the success of the project

**Not the best choice.** This is a costly and important project. Eric's boss would likely be very interested in assessing its performance.

- ☐ There should be more check-in meetings interspersed throughout the timeline

**Correct choice.** A single check-in meeting at the end of the timeline is not adequate to monitor the progress of this complex, expensive project. By having more frequent check-in meetings, Eric and his boss will have more opportunities to address any difficulties that emerge as the solution is implemented, and Eric's boss could offer guidance when necessary.

Eric's implementation plan calls for training IT personnel on the new security protocols. But when it comes time to provide this training, confusion arises. Eric had assumed that the HR department would facilitate the training. But the HR department thought Eric would coordinate the training himself. The IT department wants to hire a contractor, an expert with the new systems, to do the training.

What would have prevented this confusion?

- ☐ The IT staff should have communicated their training needs to Eric more clearly, since they were the ones who would be responsible for learning the new security protocols

**Not the best choice.** The IT staff should not have assumed that they would be responsible for obtaining the resources necessary for the training, since the training could have come from several possible sources.

- ☐ Eric should have specified in his implementation plan who would be responsible for providing the training, since he was the one who decided training was necessary

**Correct choice.** A crucial step in building an implementation is explicitly defining who is responsible for each milestone and who will procure needed resources. If Eric had taken this step, the HR department could have prepared for this responsibility or alerted Eric to any difficulties in doing so.

- ☐ The HR staff should have prepared for this responsibility ahead of time, since they were the ones who had the skills, knowledge, and personnel to provide the needed training

**Not the best choice.** The HR staff should not have assumed that they would be responsible for providing the training, since the training could have come from several possible sources.

With Eric's solution implemented, the Glasswell Optics website provides uninterrupted service, and customers approve of the new security measures. In his implementation plan, Eric predicted that his solution would result in a 10% increase in customer retention and \$500,000 in new business generated within the first quarter after the upgrade. But despite the outward signs of success, the predicted first-quarter gains don't materialize.

What might have caused the disparity between the expected and actual gains?

- ☐ The financial predictions in Eric's implementation plan were too conservative

**Not the best choice.** Realizing benefits *beyond* the predicted gains (not less than the predicted gains) indicates an overly conservative plan.

- ☐ Eric didn't plan for a lag between the time when results occur and when they are recorded

**Correct choice.** With increased customer satisfaction with Glasswell's improvements, any gains in revenues would likely be seen in future quarters as revenue reporting catches up with the results generated. It is too early to declare the project a failure.

- ☐ The company tracked the wrong metrics

**Not the best choice.** Revenues and customer retention are two important measures of the company's health, so these are appropriate metrics to track.

## Key Idea: Understand your audience

### Key Idea

Building a business case is hard work. You may feel tempted to explain every detail of all that work to your decision makers while presenting your case to them. Resist that urge. In presenting your case, you want to deliver a short, focused sales pitch, not a lengthy, detailed lecture—even if your written business case contains rich detail.

Who will decide whether to approve your proposed solution? You'll need to sell your case to the decision makers—and to those who influence them. How? Consider the following tactics:

- **What do you want them to do?** What do you want from each individual in your audience? Do you want them to approve resources? Do you want them to talk up your proposal to others? Clearly state your need.
- **What do they value/care about?** Do they care about ROI? Customer satisfaction? Some other measurement of business performance? You identified your stakeholders' business objectives early in the process of building your business case. Now tailor your pitch to highlight the expected results and metrics that are most important to each decision maker.
- **What do they stand to gain?** Explain how your audience will benefit if your idea is implemented.

For example, perhaps the vice president of sales will get his staff up to speed more quickly or exceed sales targets if your recommendation is put into action.

- **What is their level of risk tolerance?** Demonstrate that you've considered the risks inherent in your proposed course of action, and explain your plan for mitigating them.
- **How do they like to receive information?** What does your audience or your company require for written business cases in terms of format and level of detail? Do they want cases summarized in three slides—or in a two-page, single-spaced document? Will they require a copy of your case before meeting with you to hear your presentation?

What's the best way to sell your business case? Start by thinking about what your audience wants—and what you want them to do.

## Choose a format

“Put the argument into a concrete shape... round and solid as a ball, which they can see and handle and carry home with them, and the cause is half won.”

–Ralph Waldo Emerson

Check with your finance, strategy, or human resource department to see if your company requires a certain layout for business cases. If your company doesn't mandate a certain format, consider using the Business Case Template provided in this topic.

Even if your company only requires a written document for each business case, consider also creating a visual presentation to help sell your idea.

## Make your case visually

If created effectively, slide presentations help focus your audience's attention. Since viewing too many slides can be overwhelming to your audience, keep slides to a minimum. Use no more than seven slides to make your case.

The slides you'll want to include correspond approximately to the steps you followed to build your business case:

- **Slide 1**—The opportunity statement.
- **Slide 2**—The two or three alternatives you considered, as well as the business objectives and performance metrics you chose to measure your alternatives against.
- **Slide 3**—A summary of the costs and benefits you considered.
- **Slide 4**—Your initial recommendation and why you chose it.
- **Slide 5**—The risks associated with this recommendation and how you plan to mitigate them.
- **Slide 6**—The high-level milestones you expect to achieve and dates when the organization will realize benefits; persons accountable for each milestone; and resources needed for each milestone.
- **Slide 7**—A reiteration of why the opportunity is important and how your recommendation will benefit your organization.

Don't include formulas and calculations in your slides. Instead, create a few backup slides containing this information, in case someone in your audience asks about them. Listeners tend to lose track of the main idea when the presenter gets too focused on small details. Plan to walk your audience through the presentation and then take time to go more in depth if people have questions.

Be sure to have all your backup information well organized and easily accessible so you are prepared for questions during and after your presentation.

## Overview

This section provides interactive exercises so you can practice what you've learned. These exercises are self-checks only; your answers will not be used to evaluate your performance in the topic.

### Scenario

Assume the role of a manager in a fictional situation and explore different outcomes based on your choices (5-10 minutes).

### Check Your Knowledge

Assess your understanding of key points by completing a 10-question quiz (10 minutes).

## Scenario: Part 1

## Part 1

Laura is a product manager at BuzziBee Learning. Her division produces BuzziReader, a series of online reading products used in elementary schools. For the past three quarters, her product line's sales have remained flat, so Laura is looking for ways to grow revenues in order to stay competitive.

Laura believes there are many alternatives for increasing BuzziReaders' sales. For example, the BuzziReader product line could be sold into new markets. Or, the company could create product line extensions such as printed workbooks to accompany their online products. Her instinct tells her that she should start by exploring international expansion.

Laura is confident that she can build a solid business case that demonstrates the need to increase sales of her product line by making some changes. She also knows that her first step would be to build a strong opportunity statement.

Which of the following opportunity statements should Laura select?

- The BuzziReader product line needs to expand into international markets to most effectively increase revenues at BuzziBee Learning.

**Not the best choice.**

This statement is too limited and makes it difficult to consider alternative solutions. A common mistake managers make is to define the opportunity by describing their preferred solution. In this case, expanding into international markets might not be the best solution.

- The BuzziReader product line needs to expand into new markets to remain competitive for the future.

**Not the best choice.**

This statement is better than one that describes a single preferred solution because it opens up the possibility of considering other alternatives. But it is still too limiting because it also focuses on a solution—in this case, expanding into new markets—and doesn't encourage the exploration of other possibilities such as product line extensions. In addition, this choice is too generic. The benefit of "remaining competitive for the future" is not specific enough and does not relate to BuzziBee's current situation.

- The BuzziReader product line needs to identify the best approach for increasing BuzziBee Learning's revenues.

**Correct choice.**

This opportunity statement defines the opportunity without describing a solution. It identifies Laura's need to increase revenues and is broad enough to be open to many different approaches.

## Scenario: Part 2

### Part 2

Using her broad opportunity statement, Laura convenes a workgroup to explore alternatives for increasing revenues. The group brainstorms a full range of possibilities, and then narrows the options to:

- Translating BuzziReader products and selling them in new international markets.
- Developing a set of BuzziReader workbooks to be used in conjunction with the online programs.
- Trying to get the sales force to sell more aggressively in its current markets (the status quo).

Next, she meets with her boss, Martin, to get his input on the issue. She learns that he has been interested in BuzziBee getting more involved in overseas markets. He is less enthusiastic about developing workbooks, and is not optimistic that pushing the sales force to sell more aggressively would be successful.

Martin encourages Laura to explore the options. He advises her that she will have to convince the directors of sales and finance to support the project in order to get the money she needs. Laura knows that the directors will be budgeting for the coming year in the next few weeks, so she wants to get her idea to them quickly. Laura wonders what she should do next to build her case.

How should Laura proceed?

- She should put off meeting with the directors of sales and finance until she is able to put together a polished pros/cons table for her three options using estimates for how much each option will cost, and the benefits the organization could expect to achieve with each one.

#### **Not the best choice.**

Laura shouldn't wait to have preliminary discussions with key stakeholders because she doesn't have a formal proposal. By talking with the director of sales or finance early, she might learn important information that would help her assess her options. For example, a conversation with the director of sales might reveal any existing contracts with international distributors. Laura should also take the time to identify and seek out other stakeholders

whose support would be critical to successfully implement her initiative as soon as she can.

- She should schedule a meeting with the directors of sales and finance as soon as possible to get their ideas on how she might increase sales and how they expect next year's budgets to be allocated.

#### **Correct choice.**

Laura will need the support of key decision makers and stakeholders, such as the directors of sales and finance. To get this support, she should involve them early in the process. In early conversations, she may learn important information for assessing her options and improving her proposal. Laura should also identify any other stakeholders whose collaboration would be critical to successfully implement her initiative, and try to meet with these individuals early in the process as well.

- She should schedule a meeting with the director of sales as soon as possible to get his ideas on increasing sales of the BuzziReader product line. However, she should wait to meet with the director of finance until she has chosen an alternative and is ready to prepare an implementation plan.

#### **Not the best choice.**

Laura will need to align key stakeholders behind any recommendation she makes. Asking for their input early is important, so meeting with the director of sales is a good idea. She may learn from the conversation that sales is not interested in pursuing an international strategy right now—an issue she would want to address when she assesses her alternatives. But she shouldn't put off meeting with the director of finance. She should meet with her and any other important stakeholders early in the process because they will help inform her analysis—and she will start building support for his initiative.

## **Scenario: Part 3**

### **Part 3**

By meeting individually with key stakeholders, Laura learns that the director of finance is against the idea of entering international markets because she is concerned about the costs of translations and overseas distribution. She thinks that the workbooks sound like a better idea. For his part, the director of sales is wary of selling into foreign markets since they don't have an international sales force in place—but is lukewarm on the idea of selling workbooks since they wouldn't have as high margins as online products. He does agree that something must be done to invigorate sales of the BuzziReader product line, however.



Laura is convinced that BuzziBee Learning needs to invest in either new international markets or workbooks to increase revenues for her product line. She also must consider the status quo. So she puts together a pros and cons table for the three options. She finds that the costs and benefits of investing in international markets and workbooks are very close, but her intuition is that entering new markets would be a better choice. She considers what to do next.

What should Laura do next?

- She should abandon trying to enter international markets because the director of finance, a key stakeholder, seems to be against it. Instead, she should play it safe and try to get funding for the workbooks.

**Not the best choice.**

While it is important to consider the preferences of your key decision makers, it isn't necessary to abandon an idea even if one of these individuals is initially against it. Because the options have similar costs and benefits, Laura should collect additional information on the value created by entering international markets as well as those for creating workbooks. She should then do a risk assessment for both options to help further inform his decision.

- She should rely on her intuition and pursue entering international markets—especially since her boss seems to be behind it. She should do a risk assessment and identify ways to mitigate any fears, including the director of finance's concerns. She can then address these concerns in her final presentation.

**Not the best choice.**

Laura is wise to continue to pursue the international distribution option since it presents a number of benefits. However, because the cost and benefits of both options are similar, she should continue to explore both by identifying the risks associated with each one. As she identifies the risks and considers ways to mitigate them, she may come up with a solution that combines the two alternatives or at least addresses the concerns of the finance and sales directors.

- She should continue to explore both the international distribution and workbooks options by identifying the risks associated with each one. She should consider options for mitigating the risks and assess which alternative would work best given BuzziBee's culture and the concerns of the sales and finance directors.

**Correct choice.**

Because the pros and cons of both international distribution and workbooks options are similar, Laura is wise to continue to explore both options by identifying the risks associated with each

one. She may even come up with a third solution that is even better.

## Scenario: Conclusion

### Conclusion

Ultimately, Laura recommends that BuzziBee Learning invest in entering international markets for its BuzziReader products. She addresses the finance director's and sales director's concerns by suggesting that they start with a small-scale pilot: working with a European company for translations and partnering with a European distributor. She also develops a plan for tracking the result so that the group can reassess the decision before it needs to renew any contracts with these firms.

Effective business cases start with broad opportunity statements that encourage the exploration of many alternatives. Leaders then gather information and build support for their case by meeting with key stakeholders. Understanding stakeholders' perspectives and concerns helps leaders consider ways to address them as part of the process.

By remaining objective and following the process of building a business case, Laura successfully garnered resources for her project.

## Check Your Knowledge: Question 1

When creating an implementation plan for your business case, it is generally advisable to do all of the following *except*:

- Include people's names when assigning accountability for a task

**Not the best choice.**

It actually *is* advisable to use specific names, not just the name of the department or business unit, when assigning accountability for a task or committed result in your business plan. It is *not* advisable, however, to list specific due dates for milestones in your business case implementation plan. Specific dates are not usually necessary at this stage, and can be difficult to change later if they prove unrealistic.

- Use specific due dates for each milestone

**Correct choice.**

You should try to use generic due dates rather than specific due dates in a business case—for example, "year one" or "six months from contract approval." Specific dates are not usually necessary at this stage of developing your business case. Moreover, it is not advisable to lock yourself into meeting particular due dates early in the process. If you commit to certain dates on paper, you may be held accountable for achieving them—even if they are not realistic.

- Clearly describe your milestones

**Not the best choice.**

It *is* generally advisable to clearly describe milestones in your business case. Clarity about milestones will help you determine whether you have achieved these goals, such as "develop market testing." It is *not* advisable, however, to list specific due dates for each milestone in your business case implementation plan. Specific dates are not usually necessary at this stage, and can be difficult to change later if they prove unrealistic.

## Check Your Knowledge: Question 2

In which of the following situations would you prepare a business plan instead of a business case?

- To demonstrate the value a new product offering brings to the organization

**Not the best choice.**

You would use a business case—not a business plan—to demonstrate the value of a new product to your organization. Managers create business *cases* to gain support for all manner of decisions, to initiate action, or to obtain resources for a specific initiative. A business *plan*, on the other hand, would be a better choice for anticipating how your business unit will change over the next five years. Business plans generally feature long-range projections of revenues, expenses, and other information needed to secure financing from investors or to plan strategy execution.

- To decide how to prioritize projects within your group and which ones to eliminate

**Not the best choice.**

You would use a business case—not a business plan—to suggest how to prioritize projects within your group. Managers create business *cases* to gain support for all manner of decisions, to initiate action, or to obtain resources for a specific initiative. A business *plan*, on the other hand, would be a better choice for anticipating how your business unit will change over the next five years. Business plans generally feature long-range projections of revenues, expenses, and other information needed to secure financing from investors or to plan strategy execution.

- To plan how your business unit will change over the next five years to adapt to the competitive market

**Correct choice.**

You would use a business plan to anticipate how your business unit will change over the next five years to adapt to the competitive market. Business plans generally feature long-range projections of revenues, expenses, and other information needed to secure financing from investors or to plan strategy execution. A business *case*, on the other hand, focuses on a single action or decision and its alternatives. Managers create business cases to gain support for all manner of decisions, to initiate action, or to obtain resources for a specific initiative.

## Check Your Knowledge: Question 3

You've defined an opportunity and identified several viable alternatives. Which of the following is the *best* strategy for narrowing those options?

- Eliminate any choices that are likely to be unpopular with a key stakeholder

**Not the best choice.**

While it is important to consider key stakeholders' thoughts about your alternatives, you shouldn't eliminate any alternative at this point just because it may be unpopular with a stakeholder. Consider whether the merits of a particular option outweigh the potential political battle necessary to implement it. If your intuition suggests that this option might be most feasible and best meet your business objectives, you may want to analyze it further. Instead of eliminating potentially unpopular choices, cut out any high-risk, elaborate options in favor of more feasible ones.

- Eliminate elaborate, high-risk options

**Correct choice.**

Once you have generated a list of alternatives, use your intuition to come up with a reasonable subset of alternatives that will likely address your most important business objectives and stakeholder needs. One strategy for narrowing down your list of alternatives is to eliminate any options that seem excessively complicated or difficult to implement and to retain more feasible choices.

- Eliminate the status quo option if it seems unlikely

**Not the best choice.**

Even if the status quo option seems unlikely, you must still consider it in your selection of alternatives. You should always be prepared for the possibility that the resources necessary for your favorite alternative will not be allocated—or at least not in a timely manner. A better strategy for narrowing your choices would be to eliminate any options that seem excessively complicated or difficult to implement and to retain more feasible alternatives.

## Check Your Knowledge: Question 4

Which of the following statements about the data gathering and analysis phases of building your business case is accurate?

- Much of the information you gather relies on making estimates and assumptions

**Correct choice.**

Much of the information-gathering and analysis process requires you to make estimates and assumptions. Do your best to come up with information that seems sensible and that you can defend. Be sure to document your estimates and assumptions so you can explain your reasoning to anyone who asks.

- All of the information you'll need can be gained by talking to stakeholders

**Not the best choice.**

Though talking with key stakeholders early in the process of building your business case can be helpful, the accurate statement is that much of the information you gather will require you to make estimates or assumptions. You should document these so you can explain your reasoning to anyone who asks.

Also, while you'll gather some information from stakeholders, a large percentage will come from other sources as well, such as the Internet, industry journals and reports, and colleagues and friends outside of your organization.

- The return on investment (ROI) should be the primary financial driver for decision making

**Not the best choice.**

Return on investment (ROI) is just one of many financial calculations you might choose to analyze in your business case. While most executives will want to see some sort of financial analyses for your alternatives, ROI is not necessarily the best choice for all situations. The correct statement is that much of the information gathering and analysis process relies on estimates and assumptions. Be sure to document these so you can explain your reasoning to anyone who asks.

## Check Your Knowledge: Question 5

You've analyzed your alternatives. What is the *best* next step?

- Draft a high-level implementation plan

**Not the best choice.**

Only after you've chosen a solution and assessed its risks would you draft a high-level implementation plan. The correct next step after analyzing your alternatives is to identify a rationale for making your decision. Selecting a decision-making rationale isn't an exact science, so you'll have to rely on your intuition and best judgment. Remember to document your rationale so you can explain it to others later.

- List the risks associated with each alternative

**Not the best choice.**

You identify risks only after you've chosen an alternative. The correct next step after analyzing your alternatives is to come up with a rationale for making your decision. Selecting a decision-making rationale isn't an exact science, so you'll have to rely on your intuition and best judgment. Remember to document your rationale so you can explain it to others later.

- Identify a rationale for making a decision

**Correct choice.**

Once you analyze your alternatives, the next step is to identify a rationale for making your decision. Selecting a decision-making rationale isn't an exact science, so you'll have to rely on your intuition and best judgment. Remember to document your rationale so you can explain it to others later.

## Check Your Knowledge: Question 6

Your colleague, Jack, has made a business case for a project that requires help from outside consultants. He received approval for the project, but the finance department never transferred money for the consultants' fees to his budget. He most likely failed to:

- Establish who would be accountable for the project and get a commitment from these individuals

**Not the best choice.**

While managers often fail to clearly assign accountability, in this case it's more likely that Jack did not clearly identify his resource and budget needs as part of his implementation plan. If decision makers are not explicitly informed of the need for resources, they may approve the project but fail to allocate the necessary resources. If you don't show any movement of budget dollars and headcount as a step in your implementation plan, it may be overlooked—or stakeholders will assume that you will fund the project from your own budget.

- Clearly identify the need to add money to his budget in order to implement the project

**Correct choice.**

One common mistake managers make when creating a business case is failing to spell out the need for additional resources in the implementation plan. If decision makers are not explicitly informed of the need for resources, they may approve the project but fail to allocate the necessary resources. If you don't show any movement of budget dollars and headcount as a step in your implementation plan, it may be overlooked—or stakeholders will assume that you will fund the project from your own budget.

- Choose a feasible alternative

**Not the best choice.**

The recommendation Jack made was probably feasible if it was approved by decision makers. Most likely, he failed to clearly identify his need for additional resources in his implementation plan. If decision makers are not explicitly informed of the need for resources, they may approve the project but fail to allocate the necessary resources. If you don't show any movement of budget dollars and headcount as a step in your implementation plan, it may be overlooked—or stakeholders will assume that you will fund the project from your own budget.

## Check Your Knowledge: Question 7

Which of the following is *not* good advice for presenting your business case to decision makers?

- Include all your calculations up front to show the depth of your analysis

**Correct choice.**

One of the most common mistakes managers make is trying to convey too much information up front when presenting their business case to decision makers. It is tempting to try to demonstrate how much work and thought went into your decision, but resist the urge. Most executives are busy, and they only want to see the information they need to make a decision. You may want to create back-up slides or include an appendix in your document that presents calculations and additional analysis for people who desire more detailed information.

- Be concise so your audience focuses on the most important information

**Not the best choice.**

Being as concise as possible while still providing enough detail to give the reader the whole story actually *is* good advice. Decision makers are often pressed for time and want to be able to quickly get to the important information and relevant facts. While it may be tempting to try to demonstrate how much work and thought went into your decision, resist the urge to provide lengthy explanations. You may want to create back-up slides or include an appendix in your document that contains calculations and additional analysis for people who desire more detailed information.

- Tell a convincing story using descriptive language

**Not the best choice.**

Making your case by writing an interesting story with compelling logic and facts to support it actually *is* good advice. Descriptive language helps your audience visualize your desired outcomes, and may help you convince individuals of the need for your proposed initiative. However, keep your business case concise. While it may be tempting to try to demonstrate how much work and thought went into your decision, resist the urge. Most executives are busy, and they only want to see the information they need to make a decision. You may want to create back-up slides or include an appendix in your document that presents calculations and additional analysis for people who desire more detailed information.

## Check Your Knowledge: Question 8

Which of the following is the *best* definition of a business case?

- A document that presents the rationale for justifying a decision you've already made

**Not the best choice.**

A business case is not a tool for justifying a decision that has already been made. Instead, it is a tool for identifying and considering multiple alternatives before making a well-informed recommendation to support a particular option. A business case answers the question: "What happens if we take this course of action?" For example, if your unit is considering expanding sales to a new market, your boss might ask, "Which of three alternative markets should we invest in to create the most value—and should we even make this investment?" Managers at all



levels create business cases to gain support for various types of decisions, to initiate action, or to obtain resources for an initiative.

- [A guide to how an organization or unit plans to navigate successfully through its changing business landscape](#)

**Not the best choice.**

A guide to how an organization or unit plans to navigate successfully through its changing business landscape is a business plan—not a business case. A business plan answers questions like "What will our revenues be in two years?" and "How many years will it take to make this division profitable?" A business case, on the other hand, is organized around a possible action and is used to consider multiple alternatives before making a recommendation. For example, if your unit is considering expanding sales to a new market, your boss might ask, "Which of three alternative markets should we invest in to create the most value—and should we even make this investment?" Managers at all levels create business cases to gain support for various types of decisions, to initiate action, or to obtain resources for an initiative.

- [A tool for identifying and considering multiple alternatives before making a well-informed recommendation to support a particular option](#)

**Correct choice.**

A business case answers the question: "What happens if we take this course of action?" For example, if your unit is considering expanding sales to a new market, your boss might ask, "Which of three alternative markets should we invest in to create the most value—and should we even make this investment?" Managers at all levels create business cases to gain support for various types of decisions, to initiate action, or to obtain resources for an initiative.

## Check Your Knowledge: Question 9

You've defined the opportunity for your business case. What is the *best* next step?

- [Generate a list of possible alternatives for addressing this opportunity](#)

**Not the best choice.**

After defining the opportunity for your business case, it's best to determine how that opportunity would enable your company to achieve its most important objectives. To find out what your company considers important, examine the key business metrics it tracks. Once you have identified several business objectives relevant to your company, prioritize them and choose three or four to use for your business case. To narrow the field, consider whose support you'll need and who would be affected if your ideas were put into action. Spend some time determining how these key stakeholders tend to make decisions and what business results are most important to them. You'll then use these objectives to assess the pros and cons of each of your alternatives.

- [Make a list of the business objectives that you think key stakeholders will most likely support](#)

**Not the best choice.**

After defining the opportunity for your business case, it's best to determine how the opportunity you've defined would enable your company to achieve its most important objectives. To find out what your company considers important, examine the key business metrics it tracks. Once you have identified several business objectives relevant to your company, prioritize them and choose three or four to use for your business case. Only then should you narrow the field by considering your stakeholders and their interests. Whose support will you need and who will be affected if your ideas are put into action? Spend some time determining how your stakeholders tend to make decisions and what business results are most important to them.

- Consider how this opportunity can help the company meet its most important business objectives

**Correct choice.**

After defining the opportunity for your business case, your next step should be determining how that opportunity would enable your company to achieve its most important objectives. To find out what your company considers important, examine the key business metrics it tracks. Once you have identified several business objectives relevant to your company, prioritize them and choose three or four to use for your business case. To narrow the field, consider whose support you'll need and who would be affected if your ideas were put into action. Spend time determining how these key stakeholders tend to make decisions and what business results are most important to them.

## Check Your Knowledge: Question 10

True or False: You must be able to express each alternative's potential impact in dollar amounts.

- True

**Not the best choice.**

This statement is actually false. Depending on the business objectives you chose for your analyses, you may not be able to express the potential impact of each alternative in dollars. For example, the strategic fit of each alternative with your organization's mission cannot be quantified easily. But even without dollar amounts attached to them, such costs and benefits can still be persuasive. Consider creating a pros/cons table for your alternatives to capture any positive and negative financial and non-financial impacts.

- False

**Correct choice.**

Most business cases aren't built on numbers alone. In fact, many companies place high value on benefits that may be difficult to quantify, such as increased customer goodwill because of an action you're proposing. You might not be able to attach a specific dollar amount to certain costs and benefits, but their impact might still be persuasive. In such cases, consider creating a pros/cons table for your alternatives to capture any positive and negative financial and non-financial impacts.

## Check Your Knowledge: Results

# Your score:

## Steps for building support for your business case

### 1. Identify key stakeholders and decision makers.

Consider whom your idea will impact. Also, who controls the resources you will need to implement it? Ask yourself how these people might respond to your idea.

### 2. Ask for input from stakeholders early in the process.

Arrange an informal meeting with key stakeholders to ask for their advice on the ideas you have explored in your business case. Your goal in these meetings is not to present the case but just to discuss it. Before you meet with stakeholders, anticipate their concerns and be prepared to answer their questions. During your meetings, try to uncover the opportunities and issues that are most important. What do they care about? How will they benefit from your idea? Have them identify any gaps they see; it's better to get input on your plan's shortcomings now than have them pointed out later in the process.

### 3. Incorporate any feedback into your case.

The discussions you have with stakeholders will help bring to the surface information that you can use to improve your proposal and help secure approval. For example, you may learn which business objectives are most important to key decision makers. You might then evaluate your options against these objectives. In addition, you may learn other information that is critical for your case.

### 4. Ask for input from trusted advisers.

As you build your case, show your preliminary work to trusted advisers and mentors in your informal network. Ask the individuals to look for holes in your analysis and to suggest questions that decision makers might raise. Revise your case based on the input you receive.

### 5. Create multiple delivery formats for your case.

When you are ready to sell your recommendation, you'll want to create different versions of your business case for different stakeholders. For example, you might want to have a detailed document including all of your assumptions and calculations for your advisors and your own use. Prepare a higher-level slide presentation for communicating your idea to decision makers. You might also want to create an executive summary tailored to address specific stakeholder concerns and interests for groups that would be affected by your recommendation.

## Steps for analyzing alternatives

### 1. List the costs.

Start by thinking about all of the costs that might be associated with each alternative. Identify the up-front costs as well as those you might expect in subsequent years. Make sure to think

beyond the obvious financial costs such as purchasing equipment or paying salaries. Consider the business objectives you chose to evaluate and how each alternative will impact them. For example, will the alternative negatively impact employee turnover? If so, can you quantify it? You'll probably need to do research to come up with the relevant numbers. Ask for help from people in other departments such as finance or sales. Also consider looking at industry reports and on the Internet for estimates. Remember to record your sources of information and list any assumptions you make as you go along.

## **2. List the benefits of expected additional revenues.**

Again, consider the business objectives you've chosen. What benefits do you anticipate resulting from each alternative? How will these benefits impact revenues? For example, how will your project impact customer satisfaction? Can you make a correlation between improved customer satisfaction and an increase in sales? Additional revenues might come from either obtaining new customers or from increased purchases from existing customers. Make sure to consider any costs associated with obtaining these revenues and add them to your list of costs described above.

## **3. Point out any cost savings to be gained.**

Consider how implementing each alternative could save the organization money. Spend some time thinking about this area because cost savings can be difficult to recognize. They can arise from a variety of sources. For example, will fewer people be required to do a job because of your project? Will your project reduce the time it takes to complete a task, therefore allowing for more work to be completed, or more products to be manufactured?

## **4. Identify when you expect to see the costs and anticipated revenues.**

Look at your three lists and try to estimate when you expect to realize each item on the list. Remember that costs and revenue increases will probably occur incrementally. For example, you might expect revenues to increase by 20% in the first year, achieving a 100% increase by the end of year three. Completing this step will also help when you create your implementation plan.

## **5. List any unquantifiable benefits and costs.**

Most business cases aren't built on numbers alone. Depending on the business objectives you chose to use for your analyses, you will probably have some qualitative factors to consider as well. For example, the strategic fit of each alternative with your organization's mission, or an increase in community goodwill because of a particular action. Other factors to consider include the ability to take on the new opportunity without losing focus, or the likelihood of success given market conditions. Even without numbers associated with them, these costs and benefits can be persuasive and are important to consider.

## **6. Conduct your financial analyses.**

How does each of your alternatives impact finances? Once you have a list of costs and benefits and have quantified as many factors as possible, it's time to run the numbers. Depending on the metrics you have chosen, you might consider calculating the return on investment (ROI), payback period, or net present value. You might also consider a breakeven analysis. You don't need to do these analyses yourself. Instead, ask a colleague for help (e.g., someone in your finance department).

## **7. Organize the information into a table for comparison.**

Once you have all of the information, put it into a table to help you compare your options. One format to consider is the pros/cons table because it is easy to use when you have both quantifiable and unquantifiable costs and benefits.

## Steps for choosing a final recommendation

### 1. Select a preliminary recommendation.

Review the alternatives you've developed. Compare and contrast their pros and cons. Which of your alternatives best supports your organization's business objectives? Which of these stated objectives are most important to your organization? Think about whether one option will be easier to implement than the others. Also, be sure to weigh unquantifiable factors. For example, if the return on investment is similar for two alternatives, you might want to give more consideration to strategic fit when making your final decision. If you have difficulty narrowing your choice to one option at this stage, you can keep the two best options and work from there.

### 2. Document the rationale for your decision.

Once you've made your decision using your best judgment, it is important to explicitly document the rationale for your decision. Do this as soon as possible to avoid overlooking any aspect of your decision-making process. Try to create a concise bulleted list of the four to six primary reasons why you selected your option(s) so you will be able explain them succinctly to stakeholders and decision makers.

### 3. Consider the risks.

Identify the potential risks to both you and the organization of implementing your recommended choice(s). Consider any risks related to your career, the implementation, and your projected numbers. Also consider running some sensitivity analyses to see how your numbers would change using different estimates or assumptions.

### 4. Look for ways to mitigate the risks.

After you identify risks, think about how you can mitigate them. For example, could you start with a pilot project to test your assumptions before launching a full-scale implementation? Also, consider whether you have control over the risks associated with your recommended alternative(s). For example, would either fail if a competitor lowered its prices or the price of a raw material you use in manufacturing increased?

### 5. Revisit your original recommendation.

Think about how desirable the outcome of your recommended option(s) would be. For example, would your department's morale increase significantly as a result? Then think about how likely the stated outcome is to occur (i.e., how many risks did you identify and how likely is it that you can control them?). Keep in mind your personal tolerance for risk and also that of your organization. If you have been considering two options until this point, consider which one makes the most sense in light of these factors. It's possible that you might find that yet another option (possibly a combination of alternatives) is actually the most desirable.

## Tips for gathering data

- Define the categories of information you'll need to compare your options. Use the business objectives you selected to help guide your process.
- Make a list of the specific questions you want answered, such as "How much will it cost to replace a sales employee?" or "How will customer satisfaction be impacted by this alternative?"
- Be prepared to add to your list of questions. As you gather information, you'll probably identify additional factors that could impact your alternatives. For example, meeting with a colleague in operations may inspire you to consider elements you would never have thought of on your own.
- Document your assumptions and sources as you go. It's easy to forget where you found a particular piece of information. Keeping a list will help you explain your logic if someone asks.
- Make sure your estimates are realistic. Consider whether the data you find sounds correct. If not, seek additional estimates.
- For each piece of information, consult multiple sources, such as several colleagues in different departments, to get the best estimates possible.
- Once you gather the data, ask for input from individuals in departments that would be affected by your recommendation to make sure you haven't overlooked anything.

## Tips for creating an implementation plan

- Consider all of the steps it will take to make your project a reality. But include only major milestones in the case you present to decision makers. This audience does not need a high level of detail.
- Make sure your milestones can be clearly defined and easily measured—for example, "develop pilot training content" or "conduct market testing."
- Use generic rather than specific dates—for example, "year one" or "six months from contract approval."
- Be realistic about the time it will take to implement your recommendation. Managers often underestimate the time they'll need.
- Consider the resources you'll need for each milestone and whether they will be available for your project. For example, is it likely that someone from sales will be available to help review your training program? If not, who else could help you?
- Be prepared for decision makers to ask you to speed up the implementation. Have a back-up plan for how you could do things more quickly or a convincing set of reasons why it is too risky to push the dates up.
- Use specific names, not just department names or position titles, when assigning accountability for a task or committed result.

## Tips for writing your business case

- Ask if your company has a required format for business cases. If it doesn't, consider what format would be best for your particular audience—for example, an executive summary highlighting the key points for upper management.
- Remember that this is a sales pitch. Engage your audience by clearly stating the opportunity up front and selling the opportunity again at the end of your document.
- Clearly illustrate how you've arrived at your recommendation. Documenting each step you've taken will help the reader better understand the reasoning behind your proposal.
- Make it interesting. Remember someone will have to read your case—your success depends on your ability to tell a convincing story.
- Keep it concise. Your case should be as short as possible while still providing enough detail to give the reader the whole story.

- Use descriptive language (not just a series of bullet points) to help your reader visualize your expected outcomes.
- Demonstrate the value of the project from all points of view—financial, customer, executive, employees, and society as a whole. Tell your reader why this project is important.
- Be clear about what you are asking your audience to do. Do you need resources from them? Do you need their support to get their direct reports to work on your project? Do you need additional headcount, expense dollars or capital dollars?
- Verify that you have calculated the numbers correctly. Ideally, have finance review your calculations and assumptions before you present your case to others.

## Sample business case

Sample Business Case OHG Sales Model Transition Plan	
<b>Table of Contents</b>	
Proposed project/initiative .....	2
Description of proposed project/initiative .....	2
Business opportunity.....	2
Potential impact of business results.....	2
Alternatives chosen for analysis.....	2
Assumptions .....	3
Analysis of alternatives .....	3
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Recommendation .....	5
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Risks and mitigation plans .....	6
Implementation plan.....	7
Phase 1: Hire the consulting firm. ....	7
Phase 2: Develop training, conduct pilot training, evaluate pilot, and modify training. ....	7
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Phase 4: Track results, forecast improvement in sales, customer value, and employee turnover to establish business results targets for the next year. ....	8
Phase 5: Modify financial targets for sales on an ongoing basis. ....	9

## Worksheet for calculating the cost of replacing a specific employee



<i>Worksheet for Calculating the Cost of Replacing a Specific Employee</i>	
<i>Use this form to calculate the cost of employee turnover in one position or salary range per year. Calculate costs for replacement employees only. Do not calculate costs for employees hired to fill new positions.</i>	
Position:	Salary level:
<b>Hiring Costs</b>	
<b>Direct costs to hire one new employee</b>	
Advertising	
Average fee to employment agencies, placement firm	
Sign-on bonus	
Referral bonuses to other employees	
Travel and expenses (include your expenses and money you reimburse to prospective candidate)	
Other direct costs	
<b>Total Direct Costs to Hire</b>	
<b>Indirect costs to hire one new employee</b>	
<i>Estimate the costs incurred by having all current employees perform the following activities related to a new hire:</i>	
Interviewing (costs of current employees at all levels of interviewing, from initial phone call through final interviews)	
Checking references	
Lost revenue (include costs of time spent away from actual jobs)	
Miscellaneous indirect costs (phone, copy, fax)	
<b>Total Indirect Costs to Hire</b>	
<b>Training Costs</b>	
<b>Direct costs to train one new employee</b>	
Time spent by person/people directly responsible for training new hire to do job. Cost per hour times number of hours.	
Cost per participant of general training programs, training materials, seminars for new hires	
Travel and expenses per participant for above	
Other direct costs	
<b>Total Direct Costs to Train</b>	
<b>Indirect costs to train one new employee</b>	
<i>Estimate the time spent by all current employees who are involved in training a new candidate:</i>	
General training in company technology and procedures, processes, etc.	
On-the-job training costs before employee becomes fully productive	
<b>Total Indirect Costs to Train</b>	
<b>Lost Productivity Costs (note: this section applies to any job that has sales or productivity measures that can be converted to dollar amounts)</b>	
<b>Indirect costs incurred until employee is performing at expected level</b>	
Lost revenues for the time the position is vacant (multiply the revenues a typical employee generates per month by the number of the months the position will be vacant)	
Lost revenue during the time the employee is getting up to speed (calculate the difference between the revenues a new employee generates and what an existing employee generates during the training and transition period)	
<b>Total Lost Productivity Costs</b>	
<b>TOTAL COST OF REPLACING A SINGLE EMPLOYEE</b>	
<b>Annual Cost of Employee Turnover</b>	
<i>To calculate the annual cost of employee turnover, multiply the cost of replacing one employee times the number of replacements each year.</i>	

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## Worksheet for identifying alternatives

<i>Worksheet for Identifying Alternatives</i>
<i>Use this worksheet to identify alternatives for seizing an opportunity. Before you can identify alternatives, you'll need to first define your opportunity and identify the business objectives and metrics you'll want to use. See Steps for Analyzing Alternatives and Steps for Choosing a Final Recommendation for help with comparing your options and making a recommendation.</i>
<b>Part I: Defining the Opportunity</b>
<b>Define the opportunity</b>
Briefly describe the problem you want to solve or opportunity you want to seize.

**Draft an opportunity statement**

Describe the benefits that will come from solving the problem or seizing the opportunity. For example, answer the question, "How will my group/individual/company benefit from spending resources to address this issue?" Be sure to avoid the common mistake of defining the opportunity in terms of a preferred solution.

**Part II: Identifying Objectives and Metrics****Identify relevant business objectives**

List the key business objectives for your organization that are most relevant to the opportunity listed above. To find out what your company considers important, examine the key business metrics it tracks (e.g., customer loyalty, environmental responsibility, etc.)

1.	
2.	
3.	
4.	
5.	
6.	

**Prioritize your objectives**

Narrow your list to three or four objectives by considering your stakeholders. Which objectives are they most likely to consider important, based on their needs and interests? Which objectives do they tend to use as the basis for decision making?

1.	
2.	
3.	
4.	

**Identify metrics for each objective**

Identify metrics that map to each of your objectives. Once you've determined your alternatives, you'll use these metrics to measure the impact of each of your options. Sample metrics include: customer satisfaction, customer retention, employee satisfaction, turnover, cycle time, costs, etc.

1.	
2.	
3.	
4.	

**Part III: Generating Alternatives****Generate a list of alternatives**

What are the alternative courses of action for realizing your opportunity—and meeting key business objectives? Remember that the status quo should always be considered as an option. To ensure that you consider a full set of alternatives, convene a group of stakeholders for a brainstorming session.

1.	
2.	
3.	
4.	
5.	Status quo option

**Narrow your list of alternatives**

List your best two or three options, in addition to the status quo. Use your best judgment to come up with a reasonable set of options that will likely address your business objectives and stakeholders' needs.

1.	
2.	
3.	
4.	Status quo option

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## Worksheet for tracking project implementation

Worksheet for Tracking Project Implementation	
Use this form to track your project during its implementation. Consider whether you need to make any changes to your implementation plans based on the results you achieve during each phase. You may also use the data	

*you gather in this tool to help you build better informed business cases in the future.*

Phase I			
Title of Phase:			
Description of Phase:			
Deliverables	Estimated Due Date	Actual Completion Date	
1.			
2.			
3.			
4.			
Benefits			
Estimated Level of Benefit		Actual Level of Benefit	
Recommended Changes for Next Phase			
Phase II			
Title of Phase:			
Description of Phase:			
Deliverables	Estimated Due Date	Actual Completion Date	
1.			
2.			
3.			
4.			
Benefits			
Estimated Level of Benefit		Actual Level of Benefit	
Recommended Changes for Next Phase			
Phase III			
Title of Phase:			
Description of Phase:			
Deliverables	Estimated Due Date	Actual Completion Date	
1.			
2.			
3.			
4.			
Benefits			
Estimated Level of Benefit		Actual Level of Benefit	
Recommended Changes for Next Phase			
Phase IV			
Title of Phase:			
Description of Phase:			
Deliverables	Estimated Due Date	Actual Completion Date	
1.			
2.			
3.			
4.			
Benefits			
Estimated Level of Benefit		Actual Level of Benefit	
Recommended Changes for Next Phase			

## Checklist for creating a business case

<i>Checklist for Creating a Business Case</i>		
<i>Use the 20 questions in the checklist below to evaluate your preparedness for drafting a written business case.</i>		
Question	Yes	No
1. Have you defined a clear problem you want to solve, or opportunity you want to seize?		
2. Have you developed a clear opportunity statement?		
3. Have you identified key business objectives for your organization that are relevant to this opportunity?		
4. Have you narrowed your list of objectives by considering your stakeholders' needs and interests?		
5. Have you identified metrics that map to each of your business objectives?		
6. Have you generated a full list of alternatives to meet your opportunity by brainstorming with stakeholders?		
7. Have you narrowed your alternatives to those that best address your objectives and key stakeholder needs?		
8. Have you gathered all the data you'll need to be able to analyze your alternatives?		
9. Have you estimated a time frame for implementing the initiative and achieving the benefits of your opportunity?		
10. Have you documented all your estimates and assumptions?		
11. Have you analyzed your alternatives against relevant business metrics?		
12. Have you compared your alternatives using a pros/cons table or other framework?		
13. Have you selected the best possible solution given your analysis?		
14. Have you considered the risks—and developed a mitigation plan for each risk?		
15. Have you created a high-level implementation plan?		
16. Have you created a tracking plan or other means of tracking project results?		
17. Do you know who will ultimately decide whether to approve your recommended solution?		
18. Do you know the best way to "sell" your case to these people?		
19. Have you considered way to keep your final presentation focused and concise?		
20. Do you have all the backup data (including calculations) you'll need if someone requests further detail?		
<p><i>If you answered "yes" to all of these questions, you are probably prepared to make your case.</i></p> <p><i>If you answered "no" to any questions, you may want to wait to present your case until you can answer "yes" to those questions.</i></p>		

## Business case template

<i>Business Case Template</i>
<i>Use this template as a guide for drafting your own business case.</i>
<b>Proposed project/initiative title</b>
<b>Description of proposed project/initiative</b>
<b>Business opportunity</b>
<b>Potential impact of business results</b>
<b>Alternatives chosen for analysis</b>
<b>Assumptions</b>

<b>Analysis of alternatives</b>		
Alternative 1:		
Pros	Cons	
Alternative 2:		
Pros	Cons	
Alternative 3: <i>Statis Quo</i>		
Pros	Cons	
<b>Recommendation and rationale</b>		
<b>Recommendation</b>		
<b>Rationale</b>		
<b>Risks and mitigation plans</b>		
Risks	Plan	
<b>Implementation plan</b>		
Phase 1:		
Phase/Milestone description		
Deliverables	Due date	Accountable person
Resources needed		
Expected level of benefit		
Phase 2:		
Phase/Milestone description		
Deliverables	Due date	Accountable person
Resources needed		
Expected level of benefit		

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## Why Develop Others?

“At the end of the day, you bet on people, not strategies.”

Larry Bossidy

Former CEO, AlliedSignal

In today's global business environment, markets and regulations change quickly. Competitors constantly innovate. Technological changes are the norm.

In order to outmaneuver the competition and meet the demands of the moment, organizations must be agile. They must execute flawlessly. And they must transform themselves continuously.

Are your leaders ready?

Dr. Noel M. Tichy

Professor

University of Michigan Ross School of Business

We have now entered an era where I don't care what industry you're in, you need leaders who can make decisions, make judgment calls at every single level. All the way down to the interface with the customer.

If you go to a company like Google or any of the high tech companies, a lot of the innovation that Amazon does is happening right at the front line. Go ahead, try it, put it out there, we'll learn from it. That cannot happen if the senior leadership doesn't have a commitment to both develop the leadership capability, but develop the business through engaging people at all levels of the organization.

Becoming a teaching organization

I like to tell parents that they cannot delegate their responsibility to develop their children. And I think it is the same in an organization. Day in and day out the person that has the biggest impact on people in the organization is the next level above and the associates around and below. And so to build a learning organization I say is not enough. Learning could be, you know we are learning cooking, we are learning this or that, but teaching organizations, when I learned something, I have a responsibility to teach my colleagues.

So everybody takes responsibility for generating new knowledge and it is not enough to be a learner, you then have to translate it into teaching.

The Virtuous Teaching Cycle

The role of a leader is to ensure that the people who work for them and around them are better every day. There's only one way to make people better. It's to teach them, learn from them, create what I call "virtuous teaching cycles", not command and control.

A virtuous teaching cycle is teach learn, teach learn. And the leader has a responsibility for reducing the hierarchy, for having a point of view to start the discussion, but then to be responsible to hear everyone's voice, get everyone involved in a disciplined way. It is not a free for all. But it is the leader's responsibility to create that virtuous teaching cycle.

A wonderful example of virtuous teaching cycle is the program that Roger Enrico ran at Pepsi, where every one of the 10 vice presidents comes with a business project.

Roger Enrico gets smarter as result of five days with 10 vice presidents, because he's learning from them. He needs to lower the hierarchy. He needs to be open to learning. And in turn, the people participating need to be energized and empowered to come up and engage in problem solving.

Another example is at Best Buy, where every morning in the stores you would bring 20 associates or so together and they would review the profit and loss statement from the day before, what we learned from the different customer segments in our stores, what we can do to improve our performance this day. And they do that every single day. The store manager was learning mostly from the associates on the floor.

That was a virtuous teaching cycle where everybody is teaching everybody, everybody is learning and the result has been an incredible result at Best Buy.

“The growth and development of people is the highest calling of leadership.”

- Harvey S. Firestone

Founder, Firestone Tire and Rubber Co

There are clear advantages to leader-led development.

But for many leaders, taking on teaching, coaching, and other development responsibilities can seem daunting. You might avoid taking on these roles due to lack of time, resources, or your own lack of comfort with this role.

The following tips and resources can help you impart valuable learning to your team every day.

To develop others...

- Start with a Teachable Point of View

The first requirement of being able to develop other leaders is to have what I call a teachable point of view. I often give the example of, if I ran a tennis camp and you just came to day one of the tennis camp, I better have a teachable point of view on how I teach tennis. So you are standing there looking at me and it has got four elements. One, the ideas, well how do I teach the backhand, the forehand, the serve, rules of tennis. Then if I am a good tennis coach, I have a set of values. What are the right behaviors I want, how do I want you to dress, how do I want you to behave on the tennis court.

But if that's all I have, what do I do? Show you a power point presentation and then expect you to hit 500 backhands, 500 serves, run around for eight hours. I have to have a teachable point of view on emotional energy. How do I motivate you to buy in to the ideas and values?

On one end of the spectrum it could be I threaten you with corporal punishment, the other I can give you stock options, I can make you feel good about yourself, I can help you develop as a human being, what motivates you.

And then finally, how do I make the tough judgment calls, the yes/no, decisions as the tennis coach, the ball is in, the ball is out. I don't hire consultants and set up a committee, it is yes/no. And the same with running a business, what are the products, services, distribution channels, customer segments that are going to grow top line growth and profitability of the organization.

What are the values that I want everyone in the organization to have, how do I emotionally energize thousands of people, and then how do I make the yes/no, judgments on people and on business issues. So the fundamental building block of being able to develop other leaders is to have that teachable point of view just like the tennis coach.



To develop others...

- Lead with questions

Questions are hugely important because you want to create dialogue and again, what I call a virtuous teaching cycle where the teacher learns from the students and vice versa. Which means everybody ought to be free to ask whatever is on their mind, whatever it will take to get clarity and understanding, but it is not the leader just coming in and freeform asking questions. I believe the leader has a responsibility for framing the discussion, for having as best they can a teachable point of view, they may need help from their people in flushing it out, but they need to set the stage but then it has to be a very interactive, what I call virtuous teaching cycle environment, teach learn, teach learn, teach learn.

To develop others...

- Make it part of your routine

A good example to me of an outstanding leader developing other leaders is Myrtle Potter who at the time I am commenting was Chief Operating Officer of Genentech running the commercial side of the business. And she would take time at the end of every single meeting and do some coaching of the whole team on how we could perform as a team better, and then she would often take individuals and say, could we spend 10 minutes over a cup of coffee, I want to give you some feedback and coaching on that report that you just presented on or how you are handling a particularly difficult human resource issue, but it was part of her regular routine. And I think the challenge for all of us as leaders is to make that a way of life and it is built into the fabric of how we lead and it is not a one off event, three times a year. It is happening almost every day.

To develop others...

- Make it a priority

One of the biggest challenges in getting people kind of on this path is to overcome some of their own resistance, either fear or the way I view the world I don't have time for this, everybody can make time. Roger Enrico is CEO of Pepsi. He didn't have time to go off for a week at a time and run training sessions. He had to readjust his calendar. So it requires you to look in the mirror and say, is this important. If it is important, of course I can make the time. Then I have to get over my own anxiety on how well I can do it, but it is a commitment to get on the path that says: this is how I am going to drive my own performance and the performance of my colleagues.

To develop others...

- Learn to teach

I think the biggest mistake is to assume you are going to be good at it right off the bat. It is like learning anything else. First time you go out and try and play tennis, good luck. But you got to stay with it and you got to engage your people in helping make you better and them better. And so it is a journey you need to get on, not I am going to do it perfectly when I start out.

If you want to be a great leader who is a great teacher, it's very simple. You have got to dive into the deep end of the pool. But you've got to dive into the pool with preparation. I don't want you drowning. I want you succeeding. It is extraordinarily rewarding for most human beings to teach others. I think once you can turn that switch on, it is self perpetuating. You get a lot of reinforcement, your team is better. You perform better because your performance goes up and it becomes this virtuous teaching cycle.

Your opportunity to develop others

We've heard why developing others can drive greater business results, and how to make the most of your leader-led development efforts. The materials provided in Develop Others enable you to create personalized learning experiences for YOUR team within the flow of their daily activities. Use the guides and projects to engage your team quickly. And to explore how key concepts apply to them in the context of their priorities and goals.

The value of teaching is the performance of the organization is totally dependent on making your people smarter and more aligned every day as the world changes. In the 21st century we are not going to get by with command and control. We are going to have to get by with knowledge creation. The way you create knowledge in an organization is you create these virtuous teaching cycles where you are teaching and learning simultaneously, responding to customer demands and changes, responding to changes in the global environment. My bottom line is if you're not teaching, you're not leading.

A leader's most important role in any organization is making good judgments — well informed, wise decisions about people, strategy and crises that produce the desired outcomes. When a leader shows consistently good judgment, little else matters. When he or she shows poor judgment nothing else matters. In addition to making their own good judgment calls, good leaders develop good judgment among their team members.

**Dr. Noel M. Tichy**

**Professor, University of Michigan Ross School of Business**

Dr. Noel M. Tichy is Professor of Management and Organizations, and Director of the Global Business Partnership at the University of Michigan Ross School of Business. The Global Business Partnership links companies and students around the world to develop and engage business leaders to incorporate global citizenship activities, both environmental projects and human capital development, for those at the bottom of the pyramid. Previously, Noel was head of General Electric's Leadership Center at Crotonville, where he led the transformation to action learning at GE. Between 1985 and 1987, he was Manager of Management Education for GE where he directed its worldwide development efforts at Crotonville. He currently consults widely in both the private and public sectors. He is a senior partner in Action Learning Associates. Noel is author of numerous books and articles, including:

For more information about Noel Tichy, visit <http://www.noeltichy.com>.

## Share an Idea

Leaders are in a unique position to recognize the ideas and tools that are most relevant and useful for their teams. If you only have a few minutes, consider sharing an idea or tool from this topic with your team or peers that is relevant and timely to their situation.

For example, consider sending one of the three recommended ideas or tools below to your team with your comments or questions on how the idea or tool can be of value to your organization. By simply sharing the item, you can easily engage others in important conversations and activities relevant to your goals and priorities.

[Tips for writing your business case](#)  
[Checklist for creating a business case](#)  
[Steps for building support for your business case](#)

To share an idea, tip, step, or tool with your comments via e-mail, select the EMAIL link in the upper right corner of the page that contains the idea, tip, step, or tool that you wish to share.

## Discussion 1: Generating alternatives

To generate value for your organization, your team members need to keep an eye out for business opportunities they might exploit. They then need to build a compelling business case for actions they're proposing in order to exploit those opportunities. As they generate ideas for such actions, your people may fall victim to common pitfalls — such as clinging to the first idea they come up with instead of brainstorming a full set of alternative courses of action. In addition, they may not realize that they need input from important stakeholders about the alternatives they're considering.

Such mistakes can prevent your employees from selecting the best course of action and can make it difficult for them to “sell” their ideas to stakeholders whose support they'll need.

Use these resources to lead a discussion with your team about these key aspects of building a business case.

Download resources:

[Discussion Invitation: Generating Alternatives](#)  
[Discussion Guide: Generating Alternatives](#)  
[Discussion Slides: Generating Alternatives \(optional\)](#)  
[Tips for Preparing for and Leading the Discussion](#)

Working through the discussion guide can take up to 45 minutes. If you prefer a shorter 15- or 30-minute session, you may want to focus only on those concepts and activities most relevant to your situation.

## Discussion 2: Assessing and mitigating risks

When your team has chosen a course of action to exploit a business opportunity, they may be tempted to immediately develop a plan for implementing their idea and communicating a business case to decision makers.

But they need to do one key thing before taking those steps: assess the risks inherent in their chosen course of action, and decide how to mitigate those risks. If they neglect this step, they may put their idea into action only to encounter unpleasant surprises (such as a lack of sufficient resources to implement their idea).

Use these resources to lead a discussion with your team about how to assess and mitigate the risks in their business idea *before* they move ahead with the idea.

Download resources:

[Discussion Invitation: Assessing and Mitigating Risks](#)  
[Discussion Guide: Assessing and Mitigating Risks](#)  
[Discussion Slides: Assessing and Mitigating \(optional\)](#)  
[Tips for Preparing for and Leading the Discussion](#)

**Note:** Consider inviting to the discussion individuals outside your team who can shed additional light on the risks inherent in a course of action your team members are proposing.

Working through the discussion guide can take up to 45 minutes. If you prefer a shorter 15- or 30-minute session, you may want to focus only on those concepts and activities most relevant to your situation.

## Start a Group Project

Just like any change effort, successfully incorporating new skills and behaviors into one's daily activities and habits takes time and effort. After reviewing or discussing the concepts in this topic, your direct reports will still need your support to fully apply new concepts and skills. They will need to overcome a variety of barriers including a lack of time, lack of confidence, and a fear of making mistakes. They will also need opportunities to hone their skills and break old habits. To help ensure their success, you can provide safe opportunities for individuals and your team as a whole to practice and experiment with new skills and behaviors on the job.

For example, to encourage the adoption of new norms, you can provide your team members with coaching, feedback, and additional time to complete tasks that require the use of new skills. Management approaches such as these will encourage team members to experiment with new skills until they become proficient.

Group learning projects provide another valuable technique for accelerating team members' development of new behaviors. A group learning project is an on-the-job activity aimed at providing team members with direct experience implementing their new knowledge and skills. Through a learning project, team members discover how new concepts work in the context of their situation, while simultaneously having a direct and tangible impact on the organization.

The documents below provide steps, tips, and a template for initiating a group learning project with your team, along with two project recommendations for this topic.

Download resources:

[Tips for Initiating and Supporting a Learning Project](#)  
[Learning Project Plan Template](#)  
[Learning Project: Create an Implementation Plan for Your Business Idea](#)  
[Learning Project: Communicate Your Business Case to Decision Makers](#)

## A Winning Proposition

Janice Obuchowski. "A Winning Proposition." *Harvard Management Communication Letter*, July 2005.

[Download file](#)

Summary

When putting together a proposal, many business people start off with their company's history, trot out its mission statement, then discuss the company's philosophy before ever addressing the most crucial thing: the potential customer. The result is a generic document stuffed with boilerplate text—text that will be largely unread. For a proposal to be effective, it must be written with the prospective customer firmly in mind, and it must offer a solution that's tailor-made to that prospective customer's needs.

## Writing an Executive Summary That Means Business

John Clayton. "Writing an Executive Summary That Means Business." *Harvard Management Communication Letter*, August 2003.

[Download file](#)

### Summary

An effective executive summary needs to deliver information persuasively, describing potential outcomes and impacts. Here you'll find some tips for mastering the approach to writing an executive summary that balances delivery with a well-substantiated pitch.

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